

# business insurance

**West Virginia passes bill restricting employee suits**  
 CHARLESTON, W.Va.—Gov. John D. Rockefeller is expected this month to sign into law legislation that sets stricter standards for employee lawsuits against their employer.  
 The legislation, which was passed by the House Jan. 24 and the Senate Feb. 7, is based on recommendations from a special commission appointed to explore problems created by the 1978 state Supreme Court ruling in  
*Continued on next page*

Reporting weekly for corporate risk, employee benefit and financial executives/\$1 a copy; \$40 a year  
 Entire contents copyright 1983 by Crain Communications Inc. All rights reserved.

## Employers say health insurers could do more

By LEN STRAZEWski

CHICAGO—Speedy and accurate medical claims payment is the single most important service insurers offer employers, according to a new study of corporate attitudes toward employee benefits and related services.

And while insurers are doing a pretty good job with claims, cost flexibility, management reports and other important services to policyholders, there's still room for improvement, say 94 Chicago- and Milwaukee-area employers surveyed by consultant Towers, Perrin, Forster & Crosby.

The TPF&C "1982 Group Insurance Survey," recently released to survey participants, asked employers to rank the relative importance and satisfaction of various services provided by group health insurers. (Participants' views on cost containment were published Feb. 7.)

Although respondents generally noted satisfaction with the services provided, they also generally ranked their level of satisfaction below the importance they attach to the service, an indicator that insurers could be doing more.

Survey participants were most satisfied with what they considered the insurers' most important services: claims payments and cost flexibility. But employers were least satisfied with services they found comparatively important, including their insurers' ability to provide hospital audits, utilization reports and general ad hoc data analysis.

Employee benefit communications assistance and publications received relatively low marks in both importance and satisfaction.

*Continued on page 18*

## Punitive damages

### Claims growth thorny threat in manufacturers' side

By STEPHEN TARNOFF

With millions of potentially uninsured dollars at stake, the threat of punitive damages is casting a growing pall over American business.

Within the last six years, the number of punitive damage claims in product liability cases, the frequency of awards and the size of awards have grown significantly. And, that trend is expected to continue.

"The threat of punitive damages is the single most dangerous aspect of any product liability suit and will ultimately change the way manufacturers in this country conduct business if the present trend continues," says Albert H. Parnell, who represents Manville Corp. and is a partner in the Atlanta law firm of Freeman & Hawkins.

Manville is wrestling with mass litigation stemming from its production of asbestos products.

"I think we've only broken the ice in terms of large (punitive) verdicts," he added. "I think they will increase and increase significantly."

Punitive damages are awarded on top of compensatory damages and are meant to punish companies for reckless behavior and to deter similar conduct in the future.

But whether some companies can survive the blows of punitive damages is being asked increasingly as businesses seek changes in the law and court procedures to counter the punches. Meanwhile, others question if punitive damages really do make manufacturers more careful in their production and marketing of products (see

related stories, pages 38).

The most serious concern for a manufacturer facing a punitive damage threat is that it will be uninsured. Some states prohibit insurance to cover punitive damage awards and some insurers balk at paying a claim brought on by the manufacturer's willful, wanton or outrageous conduct.

Moreover, in an era of mass-tort litigation, companies could easily be facing losses in the millions of dollars when they are forced to pay punitive awards again and again for the same product.

Besides the key threat that a company could become financially impaired because of punitive damage awards, punitive damages also raise other problems that can hamper the effective operation of a business:

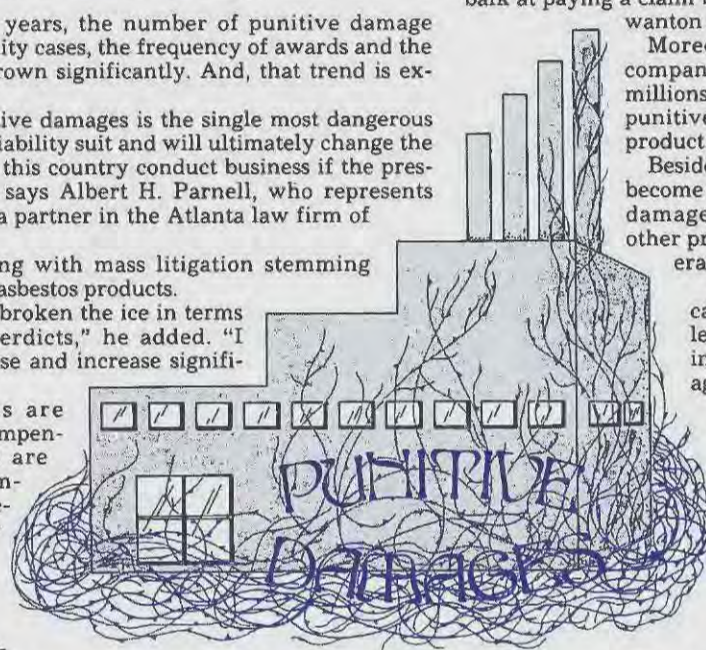
- Defending punitive damage claims can cost companies significantly more in legal and administrative costs than defending a case seeking only compensatory damages.

- A lawsuit seeking punitive damages can interfere with business and financial planning because of the uncertainty over the size of punitive damage awards and their potential magnitude.

- Eventually, punitive damage awards may contribute to higher insurance premiums or force a company to increase its self-insured retention for liability risks.

- The threat of punitive damages can prompt defendants to pay higher settlement amounts, settle more cases out of court and make it more difficult to settle worthwhile cases with plaintiffs.

*Continued on page 37*



## AIG stuck with albatross after paying claim

By BILL DENSMORE

ALEXANDRIA, Va.—It started with Ingersoll-Rand Corp. collecting millions on a political risk insurance policy.

It ended with an ex-CIA agent and two others indicted for violating U.S. export laws.

And despite the web of international intrigue weaved between those two points, insurer American International Group Inc. is still saddled with an apparently obsolete diesel engine assembly line that was once worth millions but now sits nearly worthless in a Detroit-area warehouse.

The story starts in 1979 when the Soviet Union invaded Afghanistan, and the Carter administration tightened its export rules in retaliation.

Ingersoll-Rand was caught in the middle when it was told it could not export an 800-foot-long custom-made diesel engine assembly line to the Soviets.

Ingersoll-Rand of Woodcliff Lake, N.J., said the line was identical to a similar line it

had shipped to the Soviets' Kama River Truck Complex in 1975 and was based upon outdated, 1973-era technology.

But the Carter administration, saying Kama River trucks were aiding the Soviet invasion of Afghanistan, blocked export of the assembly line in May 1980, just days before it was to be shipped by Ingersoll.

The manufacturer reacted by filing a political risk claim with AIG affiliate, National Union Fire Insurance Co. of Pittsburgh, Pa., which underwrites policies for AIG Political Risk Inc. Ingersoll-Rand then passed title for the line, which it considered unmarketable, to AIG in exchange for an estimated \$5 million to \$8.6 million in claims payments.

"The assembly line involved is a specialized product having no application other than as an assembly line for the Kama River complex," Ingersoll-Rand con-

cluded in a 1980 statement to the Commerce Department. "Because the technology is outdated and the Soviet requirement (is) unique, Ingersoll-Rand cannot expect that there will be any other market for this product."

AIG came to a similar conclusion as it looked at the 800-foot-long metal albatross and decided to option the line to an independent commodity export broker to sell.

But the broker was nabbed in "Operation Exodus," the Reagan administration's attempt to crack down on export of U.S. technology to Soviet-bloc countries.

Now the Chicago-area export commodity broker, a Toronto baker and an ex-CIA spymaster are caught in a web spun by U.S. Customs agents who used wiretaps and a dummy French firm to catch suspected export violators.

AIG stands aside, apparently

free of the web but not of the assembly line.

Joseph J. Aronica, an assistant U.S. prosecutor handling the case, says he is satisfied that AIG was not "criminally involved" in the alleged conspiracy. But that won't help it unload the assembly line.

"It's probably the only major political risk claim we've ever had, and it was caused by our own government," says another AIG spokesman of the \$5 million to \$8 million claim paid to Ingersoll-Rand. "I'd be surprised if we ever sell it (the diesel engine assembly line) for anything but scrap."

Robert Svensk, president of AIG Political Risk Inc., says he can't detail the arrangements between AIG and the export broker, which the government described as an option for the broker to buy the line if the broker, in turn, could find a legal buyer for it.

"It's the general view around here not to muddy up the waters while there's still a trial going on," says Mr. Svensk. "We gave all of that information to the customs people."

*Continued on page 34*



NEWSPAPER

## INSIDE:

**Employers look homeward for health care savings**  
 Page 3

**The jury's still out on Jersey DRG plan**  
 Page 3

update

W.Va. passes Mandolidis bill

Continued from previous page

Mandolidis vs. Elkins Manufacturing Co.

In that decision, the court gives injured employees who receive workers compensation benefits the right to sue their employers if it can be shown that the employer's "willful, wanton and reckless disregard for safety" led to the injury.

Under the new law, suits against employers would be dismissed if they did not meet one of two tests that would prove that the employer deliberately exposed the worker to an unsafe condition.

Few Ocean Ranger claims paid

NEW ORLEANS—A year after all 84 crewmen perished when the oil rig Ocean Ranger capsized and sank, few claims have been settled and lawyers are still arguing jurisdictional questions.

Lawsuits arising from the Feb. 13, 1982, disaster are consolidated before U.S. District Judge Robert F. Collins in New Orleans. But the judge has not yet permitted any discovery on liability issues and is still hearing arguments on whether about 40 Canadians aboard the rig have the right to sue in U.S. courts.

Federal investigators concluded Feb. 8 that inadequate crew training in emergency procedures contributed to loss of the rig, which was insured for \$86.5 million by its owner, Ocean Drilling and Exploration Co. of New Orleans, a subsidiary of Murphy Oil Corp. of El Dorado, Ark.

St. Paul covering money fund

WHITE PLAINS, N.Y.—St. Paul Fire & Marine Insurance Co. is the first commercial insurer to agree to underwrite coverage for investors in a money market mutual fund, according to the broker who arranged the coverage.

Money funds have been seeking insurance to compete with newly authorized bank money market accounts that are insured by the federal government.

Theodore V. Buerger, a vp with S&B Insurance Services Co. in White Plains, says St. Paul will initially cover a portfolio of up to \$500 million in assets held by Vanguard Money Market Trust, with the prospect of covering another \$1.5 billion if the insurer arranges additional reinsurance.

Manville asks for claims count

NEW YORK—Manville Corp. is asking a federal bankruptcy court to estimate the dollar amount of pending and future asbestos claims against the company.

Filed as a class action Feb. 4, the request asks the court to consider actuarial, statistical and economic information along with litigation records. The company contends such an estimate is necessary prior to submitting a reorganization plan to the court.

In a related matter, U.S. Bankruptcy Judge Burton R. Lifland clarified a recent opinion by prohibiting suits against Manville's insurers by third parties. Nearly 200 such suits requesting \$216 million in damages are now pending.

Student denied comp benefits

INDIANAPOLIS—A former university student on a football scholarship injured during football practice cannot receive workers compensation benefits, the state Supreme Court ruled.

The ruling reversed a state appellate court decision that granted benefits to Fred Rensing, a former Indiana State University student. Mr. Rensing, 26, was paralyzed from the neck down in April 1976.

Mr. Rensing's attorney said a motion for reconsideration or rehearing with the court would likely be filed.

ABA opposes tort reform

NEW ORLEANS—The American Bar Assn. last week voted to oppose federal legislation that would set uniform standards for product liability cases. The vote was a defeat for a coalition of insurers and manufacturers that supports a uniform federal tort law.

However, the ABA did agree on a voice vote that Congress should try to find the best way to deal with the thousands of lawsuits from workers who say they were injured by exposure to asbestos.

index

Table with 2 columns: Topic and Page Number. Topics include Benefit beat, Classifieds, Comings&goings: buyers, Comings&goings: industry, Datebook, Info, Insurance services guide, Legal briefs, Letters, Markets, Opinions, Perspectives, Ticker, and Washington.

Illinois high court to review ruling on third-party suits

By CAROL CAIN

SPRINGFIELD, Ill.—The state Supreme Court paved the way earlier this month to take another look at third-party lawsuits tied to workers compensation cases.

The court agreed Feb. 1 to hear an appeal of a case—Doyle vs. Rhodes—in which an employer has been sued by a third-party for contributing to a worker's injury.

The court this time will look closely at two issues consolidated from separate appeals from the third-party plaintiff and third party defendant:

- Whether an employer is immune under the Illinois Workers' Compensation Act from additional lawsuits that seek contribution on the basis of negligence.
• And whether that contribution should be 100% if the negligence is a violation of the Road Construction Injuries Act.

The current case stems from a Winnebago County incident in which a highway flagman was struck by a motorist while working for a construction company.

The flagman, Charles L. Doyle, filed a complaint against driver Kathleen C. Rhodes, alleging that she was guilty of careless and negligent acts.

Ms. Rhodes, in turn, denied any wrongdoing and filed a third-party complaint against the flagman's employer, Rein, Schultz & Dahl, a Rockford, Ill., road contractor. She alleged that the employer was negligent in its placement of warning signs and barricades and, therefore, contributed to the accident and should pay the damages.

In a September decision, the 2nd Appellate Court in Elgin ruled in Ms. Rhodes' favor, upholding the 1977 Supreme Court decision in Skinner vs. Reed Prentice Division that employers may be liable for contributing to a worker's injury—despite the exclusivity of the

Continued on page 6

Jury awards \$9.6 million for '77 crash

By BILL DENSMORE

FORT WORTH, Texas—Piper Aircraft Corp., the nation's third-largest general aviation manufacturer, will appeal a \$9.6 million jury award in the deaths of five people whose plane broke apart in midflight.

The jury ruled last month that the twin-engine Piper Navajo, which was built in 1968, was defectively designed.

Attorneys for the survivors of the victims of the 1977 crash, who had sought \$12 million, say Piper, based in Lock Haven, Pa., did not offer to settle prior to trial.

"They never mentioned the subject," says Tom H. Davis, an Austin, Texas, attorney who represented the crash victims' widows.

Piper's product liability insurance is placed in the London market through Reed Stenhouse of New York Inc. and is led by a Lloyd's of London underwriter. Although Piper's coverage limits are not known, airframe manufacturers typically have at least \$100 million in liability coverage.

Continued on page 35

Water workers' strike leaves firms thirsty for advice

By STACY SHAPIRO

LONDON—A strike by the national water workers' union could leave British manufacturers high and dry—and possibly without water to fight fires.

However, a U.S.-based group of insurers has given its highly protected risk policyholders a seven-point plan to conserve water and protect their property during the walkout.

Although water is still flowing normally through almost all sections of Great Britain, companies are afraid there will be no one on duty to repair the damage should a water main burst, leaving plants without water in case of a fire.

"We are trying to conserve water and are telling our clients what steps to take when a water main bursts and there is no one to repair it," said Graham Johnston, engineering supervisor for IRI Corp. in Hitchen, Hertfordshire, a subsidiary of Industrial Risks Insurers of Hartford, Conn.

When the water workers walked out Jan. 23, IRI was prepared to protect its clients. The insurance group had singled out the 155 HPR properties it insures in England and Wales and had already told the risk and loss-control managers at those companies what to do during the strike.

"We took action when we knew that the negotiations with the water authorities were deteriorating," said Mr. Johnston. "We made contingency plans 10 days to a fortnight (two weeks) before the strike."

Policyholders were told to put into effect the first four points of the seven-point program before the water strike began last month.

Continued on page 33

Kentucky publishes rules for risk retention groups

By JERRY GEISEL

FRANKFORT, Ky.—Employers that want to set up risk retention groups in Kentucky now know the ground rules.

A Jan. 20 order issued by Kentucky Insurance Commissioner Daniel D. Briscoe spells out the regulations the groups must follow if they want to be chartered in or do business in the Bluegrass State.

The rules closely parallel the 1981 Risk Retention Act, which makes it easier for businesses to set up product liability captives or buy product liability insurance as a group.

"Kentucky appears to have made a good-faith effort to comply with the federal act," said a Washington attorney who was involved in the drafting of the federal law.

Because the federal act is so general, rules like Kentucky's must be published by state insurance departments so buyers, insurers and agents know how to deal with specific issues that may not be covered in the federal law.

According to Kentucky's new rules:

- A risk retention group domiciled in Kentucky must meet the same requirements as a casualty insurer, including putting up \$1 million in capital and \$2 million in surplus.
• Risk retention groups will have to pay state and municipal insurance premium taxes.

insurance premium taxes.

- In order to do business with a risk retention group, an insurance agent has to have a conventional agent's license from the state.

- A risk retention group set up outside Kentucky must register with the insurance commissioner and designate the commissioner as

Continued on page 35

Cain joins BI as associate editor

CHICAGO—Carol Cain has joined the staff of Business Insurance as an associate editor in the Chicago office, Editor Kathryn J. McIntyre announced.



Ms. Cain

Ms. Cain, 33, has been a news, government and feature free-lance writer for newspapers and magazines for the past 15 years. She has contributed stories to Business Insurance for the past year.

In addition to free-lance assignments, Ms. Cain served as executive editor of Chronicle Newspapers, St. Charles, Ill. She also worked at City News Bureau in Chicago. She attended Northern Illinois University, majoring in journalism.

Employee benefits and workers compensation are among the topics on which Ms. Cain will report for Business Insurance. She can be reached at 312-649-5274.

# Looking homeward for savings

## Employers cozy up to incentive plans

By JAMES C. LAWSON

Employers are beginning to realize that workers often can recuperate as well at home as in a hospital room... for a lot less money.

But, most of the current home health care programs won't cut employers' health care costs, experts say. The plans lack the punch they need to be effective because they don't offer incentives to induce employees to use them and the employers are not ready to monitor hospital stays.

Home health care plans, whether they are stand-alone programs or incorporated in an employer's medical coverage, provide medical care and rehabilitation therapy in the friendly confines of the home. A wealth of services can be included, like physicians', nurses' and therapists' visits, plus nutrition and housekeeping services.

Last year 53% of 213 major employers responding to a survey by consultant Towers, Perrin, Forster & Crosby, offered some kind of a home health care benefit.

Both medical and benefits experts contend employees often recover more quickly at home from maladies like broken bones and minor surgeries than they do in a hospital because the home setting may be cheerier and is more familiar. And, receiving care at home is usually much cheaper than hospital confinement.

But employees need incentives to use these programs.

It stands to reason, the experts say, that few hospitalized employees will go home to recuperate unless it will benefit them financially to check out of the hospital.

"Putting in the benefit in itself isn't sufficient. If it's a benefit that's going to be subject to the usual deductibles and coinsurance, then there's no incentive for employees to use it," explains Kenneth Drummer, a vp with the national benefit service division of Frank B. Hall & Co. in Briarcliff Manor, N.Y.

Persuading employees to use home health care is one of the keys to plan success, contends John Hickey, a partner with Kwasha Lipton, a benefits consultant in Fort Lee, N.J.

"In a growing number of home care plans where the employer pays more of the cost (than it would for hospitalization), the employees will be more likely to use the program," Mr. Hickey explains.

For example, in upstate New York, employers that subscribe to the Blue Cross of Rochester's home

maternity care program are realizing savings as high as \$800 per patient. Home care for mothers and newborns in the Rochester area generally costs \$70 per day, compared with \$300 per day for inpatient care.

Under Blue Cross' 2-year-old home maternity care program, mothers who leave the hospital within 24 hours of delivery are provided full coverage for up to three days of visits and services by nurses, therapists and homemakers (or maids) plus laboratory services. The in-home care is coordinated by the Genesee Region Home Care Assn., a private home health care agency.

New mothers who decide to stay in the hospital receive the same basic services, but they must pay the coinsurance specified by their employers' health plan.

While experts say employee financial in-



Graphic: Jim Bakasetas

## Company cuts costs by going 'home'

By JAMES C. LAWSON

McLEAN, Va.—After seeing its health care costs rise 33% in two years, Planning Research Corp. is trying to cut its costs by having employees recuperate at home whenever possible.

Designed with financial incentives to urge patients to leave the hospital sooner, Planning Research's new home health care program is part of a massive medical plan overhaul by the McLean-based computer services firm.

The company heeded the advice of experts when it designed its home care plan (see accompanying story), says Thomas O'Brien, director of insurance.

"We intend to monitor hospital utilization to determine what is needed and how to encourage people to leave the hospital sooner."

The company is setting up peer review panels to monitor the length of employees' and dependents' hospital stays. It also will analyze claims in-house to trim lengthy stays and to encourage home health care.

Although Mr. O'Brien hasn't determined exactly how much the company can save through the home health care option, offered since Jan. 1, he's hoping to cut claims costs by at least 20%.

"Our claims had been rising without any relief in sight. Although this program is only one of several new cost-containment features we're adding to our health program, we're

hoping it plays an important part in helping us control costs and slow down some of the increase we've been seeing."

Mr. O'Brien says that its program is one in which "you make the employee a part of the cost-cutting effort."

Planning Research formerly offered what it called a convalescent care program, Mr. O'Brien notes, but because it offered no cost incentive to employees, "it was never used. People would stay in the hospital until they had to come out."

"We feel confident this new program will be used, however."

The incentive, Mr. O'Brien explains, is that the health plan will pay more toward the cost of home health care than it will toward in-hospital services.

Planning Research offers its employees a choice of health plans: a low-deductible option that has a \$200 annual deductible and pays 75% of covered hospital charges, and a high-deductible plan, which provides only 70% coverage with a \$250 annual deductible.

Under the home health care portion of the new program, however, patients who leave the hospital early are provided full coverage of all reasonable and customary fees charged by a home care agency up to a maximum of \$50 per visit and 100 visits per year.

Employees using the program must begin to use home health care services within 15 days of their discharge from the hospital. The program will cover costs only if the employee's attending physician certifies confinement in a hospital or nursing home would be required if home care were not provided.

The patient can only be treated for the same illness, injury or related conditions that caused the initial hospital confinement.

Eligible expenses covered under the plan, besides doctors' visits, include:

- Nursing care provided or supervised by a registered nurse.

Continued on page 30

## Some savings seen, but jury still out on Jersey DRG plan

By DOUGLAS McLEOD

NEW YORK—Although New Jersey's prospective hospital rate-setting system is entering its fourth year of operation, how well the program is controlling costs has not yet been determined.

Hospital expenses and per-capita costs are increasing more slowly in New Jersey than in the rest of the country, but no one is sure how much of the difference can be attributed to prospective rate-setting.

Major health insurers report widely varying experience under the system, though all agree it is too early to judge its ultimate impact on health care costs.

But, some insurers point out, the system so far has created administrative burdens that—in some cases—have wiped out any savings.

And while most hospital administrators agree that the system is a good one in theory, they are still having problems functioning within its limits.

Under prospective rate-setting, a state Hospital Rate Setting Commission decides in advance how much in revenues a hospital should earn in a given year. The panel then decides how much the hospital may charge to reach that revenue figure by analyzing the hospital's patient volume, case mix and a myriad of other variables.

Rather than basing rates on the cost of individual services, New Jersey hospitals now charge a flat rate for each patient depending the diagnosis, regardless of how long the patient is hospitalized or what services are provided.

The flat per-patient rates are based on so-called "diagnosis-related groups" or DRGs. A DRG is a category created to include all the patients who are about the same age, have similar diagnoses, require similar medical procedures and have similar dis-

charge status.

For example, a patient suffering from lung cancer and treated with radiation therapy may fall into one DRG, while a patient with lung cancer who undergoes surgery falls into a separate DRG.

New Jersey's system now consists of 476 separate DRGs. The number of categories was increased from 383 last year after the state realized that the existing DRGs covered too many different medical conditions.

The system was intended to provide hospitals with incentives to hold down costs. Hospitals able to operate within their preset budget may keep whatever money is left at year-end. Those exceeding their budgets simply operate at a loss, unless they are granted relief by the Hospital Rate Setting Commission in a year-end reconciliation. In this case, the relief is reflected in higher rates for the following year.

New Jersey began implementing the DRG program in 1980, phasing it in over a three-year period. By the end of last year, all 91 hospitals in the state were participating.

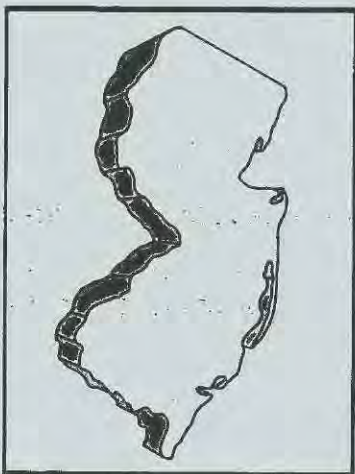
Although the latest statistics available on the success of the program are for 1981, when only 59 hospitals participated, these statistics, compiled by the New Jersey Department of Health and the U.S.

Department of Health and Human Services, show that New Jersey's hospital costs climbed more slowly than the nation's as a whole.

Operating expenses at New Jersey hospitals climbed 13.8% in both 1980 and 1981, while hospital expenses nationwide climbed 17% and 18.7%, respectively. Total inpatient days declined 0.6% in New Jersey in 1981, but rose 1.2% for the nation. The average length of a hospital stay in New Jersey declined 0.5%; it remained flat nationally.

Some say these figures are a preliminary indica-

Continued on page 32



## Insurance will cover some claims from MET

By JERRY GEISEL

LOS ANGELES—Some participants in a huge California-based multiple employer trust that failed last September will have some medical claims paid, but coverage for thousands of others is in doubt.

Associated International Insurance Co. of Los Angeles, which fully insured American Benefits Ltd. between May and July 1982, says it will pay claims that were incurred during that period.

At the same time, a \$40 million damage suit has been filed by the trust's bankruptcy trustee against the MET's administrators and shareholders. The suit, filed in U.S. Bankruptcy Court in Los Angeles, charges, among other things, that the administrators misappropriated trust assets for their own use.

Associated International estimates that eventually it will pay between \$2 million and \$3 million to participants enrolled in American Benefits Ltd., which was also known as American Benefits Trust and based in Tarzana and Tustin, Calif.

The MET provided comprehensive health care coverage to an estimated 70,000 people. However, Associated International does not know how many of these policyholders have filed claims that it will have to pay.

A substantial portion of claims Associated International will pay is reinsured, according to the insurer.

But, the bankruptcy court has not yet resolved what, if any, coverage American carried after Associated's contract expired at the end of July. American faced an estimated \$12 million in unpaid health care claims when it failed in late September, according to sources investigating the MET's collapse.

Claude Dorais, an attorney with the Los Angeles firm of Dorais & Wheat that represents some agents who placed business with American says Security Assurance Co., a member of the Central National Group of Omaha, agreed to insure the trust beginning Aug. 1. However, Security denies such a link.

Agents placing business with American fear they could be sued by policyholders with unpaid claims.

Mr. Dorais has affidavits from several California insurance agents who placed risks with American. They say they were told in mid-September by David Blair, a vp at Security, that Security was insuring the trust.

One Tarzana agent said in an affidavit filed with Mr. Dorais that Mr. Blair told him on Sept. 17 that Security had been insuring the trust since Aug. 1, Mr. Dorais says.

"In fact, it is the same contract that Associated International signed," the agent said Mr. Blair told him. "We have submitted a copy to the state Department of Insurance, but that is just a formality."

However, Art Karma, a Torrance, Calif., attorney representing Security, says Mr. Blair advised the agent that there was not yet a contract between the trust and Security because, among other things, the state Insurance Department had not yet approved the agreement as required.

Continued on page 36

# Metal workers win legal service benefit

Members of the Sheet Metal Workers International Assn. will receive free legal services coverage as a result of a master agreement between the union and the Sheet Metal Workers International Contractors' National Assn.

Some union members have already received the benefit in contracts negotiated after the master agreement was ratified last year. Other workers will receive the benefit as they negotiate new contracts this year.

The master agreement, however,

## benefit beat

is not binding and there is a possibility that some employees will not receive the benefit.

Under the new agreement, employers will contribute \$7 per employee monthly to provide the employees with full coverage for personal legal services like probate matters, wills, divorces, adoptions, guardianships, real estate transactions and landlord-tenant disputes.

The program also provides partial coverage for legal services like consumer and debt problems, civil lawsuits defense, misdemeanor and felony charges and tax disputes.

Employees will not have to pay deductibles, co-payments or premium costs.

The benefit is being provided by Hyatt Legal Services, a Kansas City, Mo.,-based prepaid legal ser-

vices firm with 250 lawyers in 115 offices across the country.

Hyatt will be the sole provider of legal services for employees who live near one of the Hyatt offices. In other communities, legal services will be provided by other firms under contract with Hyatt.

## Health education

The village of Scarsdale, N.Y., will offer village hall employees five free health education programs beginning this week.

Communicating to employees "that we care" is the immediate thrust of the program, said Richard Rohan, the village's personnel administrator and risk manager.

"In the long run, maybe our health insurance cost will go down," he added.

The idea for the educational program came last year when Village Manager Chris Russo read how large employers were putting programs together at no cost by using volunteers.

"If they could do it, so could we," he said.

The five sessions will cover physical fitness, weight control, cardio-pulmonary resuscitation training, first aid and heart disease. Volunteers from St. Agnes Hospital in Scarsdale and the village's ambulance corps will conduct sessions.

Between 15 to 20 employees signed up for of the sessions, which will begin 30 minutes before the end of the workday and last for 60 to 90 minutes.

The village surveyed its employees last year to determine if there was interest in a health education program and to solicit suggested topics.

At the end of the five sessions, the program will be evaluated and possibly expanded to include other village employees from the police, fire and public works departments.

Health care benefits for Scarsdale's 250 employees are provided by the New York State Employee Health Insurance Plan.

## Breast cancer cover

Group and individual health insurers in New Jersey are now required to cover the cost of surgery and treatment for breast cancer under a package of four bills signed earlier this month by Gov. Thomas H. Kean.

The governor says the package, sponsored by Assemblyman Martin Herman, D-Salem, requires that insurers provide coverage for reconstructive surgery, prostheses and outpatient chemotherapy following surgical procedures in connection with breast-cancer treatment.

A spokesman says that some insurers have excluded reconstructive procedures in their policies.

## Dental coverage

Illinois Bell Telephone Co. has selected Blue Cross/Blue Shield of Illinois to administer its 4-year-old self-insured dental plan, which covers more than 54,000 employees, dependents and retirees.

The Chicago-based insurer replaces Metropolitan Life Insurance Co. as administrator for the plan covering diagnostic, restorative, prosthetic and orthodontic charges.

The plan pays 100% of all cleaning and X-ray charges and 75% of all restorative and prosthetic charges based upon a schedule of reasonable and customary charges, up to an annual maximum of \$750.

Under the schedule, the plan pays:

- \$23 for a single-tooth extraction.
- \$16 for a one-surface amalgam filling.
- \$166 for a single root canal.
- \$265 for one porcelain crown.

Employees must pay a \$50 lifetime deductible per each plan user for restorative, prosthetic and orthodontic charges.

The plan pays \$146 for the installation of orthodontic appliances and \$29 per monthly visit, up to a lifetime maximum of \$1,000.

Made any benefit changes? Write Claudette Dampier, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5282.

**THIS IS THE WRONG TIME TO FIND OUT YOU DON'T HAVE THE RIGHT INSURANCE.**

*It's too late after you've had an accident or your home is burglarized. That's why it's a good idea to consult an Independent Insurance Agent before you buy your policy. An Independent Agent represents several companies—not just one. So you get expert, professional advice on how to select the best insurance coverage at the best price.*

*And right now your Independent Agent is offering an informative free booklet that can help make choosing the right insurance a little easier. Get it. Before you need it.*

*You'll find the Independent Insurance Agent nearest you listed in the Yellow Pages under the Big "I" symbol.*

**THE MORE-THAN-ONE-COMPANY INSURANCE AGENT.**

**HOW TO CHOOSE THE RIGHT INSURANCE**



## To pay someone not to work can be cruel and inhuman treatment. It can also be very expensive.

Long term disability cases have always been expensive. Both in costs and productivity. Sometimes, even in legal fees.

No wonder more and more cost-conscious businesses are turning to NWNL's Rehabilitation Services to save both on cash reserves—and human suffering.

Example: From May 1 to December 31, 1981, NWNL specialists examined 166 LTD cases for potential rehabilitation. With our help, 101 people were returned to meaningful employment. Freeing up \$3.9 million in LTD reserves.

How do we do it? Well, NWNL was one of the first health insurance companies to recognize the cost savings inherent in professional rehabilitation. We also recognized it takes experts to handle such sensitive situations. So we

searched out some very experienced specialists to become our NWNL Rehab Staff. They use positive thinking, and creative, humanistic methods to objectively measure each patient's "potential employability."

We believe it's often not enough to simply repair a broken body. Sometimes psychotherapy (in addition to physical therapy) is needed. Or vocational guidance. Or special housing and/or transportation must be found.

So NWNL Rehab counselors travel all over the U.S. to personally evaluate, manage and supervise each appropriate LTD case. And this dedication to personal service is paying off.

If this sounds like the kind of humane cost-cutting you'd like to implement (with an insured or self-

funded LTD plan), mail this coupon. We'll do the rest.

TO: Ginny Charboneau, Box 20, Minneapolis, MN 55440.

Please send me more details on NWNL Rehab, and how it can save my company money.

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone \_\_\_\_\_ Area Code \_\_\_\_\_

BI 2



NORTHWESTERN NATIONAL  
LIFE INSURANCE COMPANY  
BOX 20 • MINNEAPOLIS, MINNESOTA 55440

## opinions

# Show your support

**Q**UICK! WRITE down these names and addresses:  
Sen. Robert Kasten, 340 Russell Senate Office Building, Washington, D.C. 20510.

Rep. Norman Shumway, 1203 Longworth House Office Building, Washington, D.C. 20515.

Those two congressmen will be spearheading the drive toward federal product liability reform in the House and Senate this year. And, their proposals could provide a starting point for companies that are watching the number and size of punitive damage awards grow—and are getting worried and angry enough to fight back.

Punitive damages should never be totally abolished. All manufacturers need to know that production of safe products is the ultimate goal and if they wantonly toss that rule aside, they will be punished.

And, it's not even necessary to put a cap on the size of a punitive damage award. On one hand, if a company outrageously disregards public safety, it should be punished in terms just as extreme. On the other, a cap might be interpreted as the standard for awards, and judges and juries would assess the maximum without weighing the degree of liability.

While punitive damages are necessary to deter extreme disregard for the public good, seeking them and assessing them in other cases borders on abuse.

This is where the Shumway and Kasten bills would offer some relief. Both men introduced similar legislation during the last session of Congress; Sen. Kasten has already reintroduced a bill this year and Rep. Shumway plans to.

Both bills would strictly define the standard of "reckless disregard" for consumer safety by the manufacturer. The plaintiff would have to prove that the manufacturer acted in this reckless manner before punitive damages could be awarded. Currently, there is no uniform standard for determining whether a defendant is liable for punitive damages in a product liability case. More specific standards would ensure that awards are not made in cases where the manufacturer merely made a mistake in the design of a product rather than acted with a reckless disregard for the safety of the

public.

Manufacturers' behavior also is considered in the Kasten bill. For example, a court must consider the behavior of the company after it knew a product could cause injury. A defendant that acts quickly to remove a product from the market is less likely to have acted with reckless disregard.

Furthermore, both bills would have a jury determine whether punitive damages should be awarded, but would have the judge determine the actual amount. While judges already have the power to reduce jury awards, having them award damages in the first place should keep them in perspective. Juries are often ill-equipped to decide the complex issues involved in a punitive damage case.

Both bills could go further. For example, neither addresses the issue of setting punitive damage awards in mass litigation cases that can threaten the livelihood of businesses by forcing them to pay again and again for the same mistake. And neither bill proposes that plaintiffs—who already receive compensatory damages for their losses—not receive any punitive damages awards, but rather the money be used for some purpose to serve all of society.

The American Bar Assn. last week came out against federal product liability tort reform. That's a shame because the Kasten and Shumway bills are at least a starting point for uniform solutions to some product liability and punitive damage problems. Let the congressmen know you support their efforts and, more importantly, tell them what else business needs.

## The moral

**T**HE THEFT last week of an \$18.75 million stallion from an unguarded Irish horse farm (see story, page 6) should be an important loss-control lesson to horse breeders, farmers and anyone else who works with animals:

Instead of closing the gate to keep the animals in, you should close—and lock—the gate to keep kidnappers and thieves out.

## letters

### Dodging those poisonous puffs

To the editor: Your editorial on smoking, "Snuffing out smokers" (*BI*, Jan. 17), misses the point particularly in its fallacious attempt to equate the habits of smoking, coffee drinking, candy eating and snacking at work.

Only smoking has been established to be a health hazard to the non-smoker from second-hand smoke. Sidestream smoke has twice the tar and nicotine, three times more cadmium, oxides of nitrogen and benzopyrene, almost five times more carbon monoxide and nearly 50 times more ammonia than the smoke the smoker inhales.

In total, more than 3,000 chemicals have been identified in tobacco smoke, 40 of them carcinogens.

Research published in *Science*, the journal of the American Assn. for the Advancement of Science, concludes that smoke inflicts "significant air pollution burdens" on indoor populations and that in modern buildings, tobacco smoke parti-

cles "overwhelm the effects of ventilation." The researchers concluded that "increased ventilation does not appear to be a solution to the problem."

As far as I am aware there are no recorded health hazards associated with fellow workers' coffee or candy bars (unless they have a communicable disease and you share) and crumbs in your correspondence are merely evidence of sloppy eating habits.

There is an old legal maxim to the effect that my freedom to extend my arm ends at my neighbor's nose. Most non-smokers would be content to have smokers pollute and destroy their own internal organs if that is their desire or the price of their need. The non-smoker concerned about his or her own health simply does not want to be part of the smoker's madness.

**Keith Edwards**

Ponton, Coleshill, Edwards & Associates  
Toronto

### A significant health risk to non-smokers

To the editor: Your Jan. 17 articles on the impact of smoking in the workplace were interesting. But nowhere did I see the fact that at least two scientific studies have been issued recently that conclude that the effect of smoking in proximity to a non-smoker is just as bad for the health of the non-smoker as it is for the smoker. This could conceivably lead to more litigation against employers who think employees should not mind being exposed to

their co-workers' smoke and the possible risks.

You appear to be unaware of the significant health hazards smokers present to the non-smokers. It's more than just a matter of accommodating those non-smokers, it's a matter of guarding their rights not to be exposed to the health-damaging smoke.

**Merle D. Gors**  
Everett, Wash.

### A new 'wave' in options

To the editor: Is it any wonder that we in the industry frequently maintain a defensive posture in the company of outsiders?

After several insertions, Professional Indemnity Agency Inc.'s ad on legal expense insurance for coverage disputes (*BI*, Jan. 31) persists in stating under Option No. 2 that they will "wave" the corporate participation, etc. They mean, of course, waive, but will no one step forward and comment on the Emperor's new clothes?

**Walter E. Turner**  
Manager-insurance  
Inco Ltd.  
Red Bank, N.J.

### A regrettably serious matter

To the editor: I read your Jan. 14 editorial, "Paying from the deepest pocket," with considerable interest. It lays out some dimensions of the corporate claims problem of which I was only dimly aware. Overall it is a most thought-provoking piece, which I have commended to a number of people who wonder whether this whole area is really a serious matter. As *BI* has shown, regrettably it is.

**George H. Strauss**  
Jay DeBow & Partners Inc.  
New York

*Business Insurance* welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. Send your comments to Letters to the Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

# business insurance®

Reporting weekly for corporate risk,  
employee benefit and financial executives

**Publisher:** Alfred Malecki (New York)

**Editor:** Kathryn J. McIntyre, A.R.M. (Chicago)

**Managing Editor:** Lorrie Gawla (Chicago)

**Assistant Managing Editor:** James M. Burcke (Chicago)

**Senior Editor:** Len Strazewski (Chicago)

**CHICAGO:** Carol Cain (Associate Editor)  
Stephen Tarnoff (Associate Editor)  
Donna L. Yanish (Agent/Broker Topics Associate Editor)  
Claudette Dampier (Assistant Copy Editor)  
Merrill S. Saltzman (Graphics Editor)  
Amy Palmer (Production Assistant)  
Jim Bakasetas (Production Assistant)  
Dorothy Parr Snowden (Proofreader)  
Sallie J. Drury (Editorial Assistant)

**DALLAS:** Laurence H. Gross (Bureau Chief)

**LONDON:** Stacy Shapiro (Associate Editor)

**LOS ANGELES:** Rhonda L. Rundle (Bureau Chief)

**NEW YORK:** Bill Densmore (Bureau Chief)  
Douglas McLeod (Associate Editor)

**WASHINGTON:** Jerry Geisel (Washington Editor)

**Corporate:** Todd E. Fandell (Corporate Editor)  
Joe Faraci (Corporate Art Director)

**Advertising Director:** Donald A. Walsh (New York)

**Midwest Sales Manager:** Robert L. Niesse (Chicago)

**CHICAGO:** Emily A. Webb (District Manager)  
Fran Prybylo (Production Manager)

**LOS ANGELES:** Sue Sayre Eisenberg (District Manager)

**NEW YORK:** Charles A. Horvath (District Manager)  
Jack Forrest (District Manager)  
Timothy O'Hara (District Manager)

**Director of Communications:** Ronnie I. Drachman  
(New York)

**EDITORIAL:** Chicago: 312-649-5398  
Dallas: 214-528-3561  
London: 01-831-9696  
Los Angeles: 213-651-3710  
New York: 212-210-0100  
Washington: 202-638-5300

**ADVERTISING:** New York: 212-210-0133  
Chicago: 312-649-5276  
Los Angeles: 213-651-3710

**COMMUNICATIONS:** New York: 212-210-0132  
**CIRCULATION:** Chicago: 312-649-5221

Published by Grain Communications Inc., Chicago

**G.D. CRAIN JR.**  
founder (1885-1973)

**MRS. G.D. CRAIN**  
chairman

**KEITH E. CRAIN**  
vice-chairman

**S.R. BERNSTEIN**  
chairman/executive committee

**RANCE CRAIN**  
president

**MARY KAY CRAIN**  
treasurer

**MERRILEE P. CRAIN**  
secretary

**DAVID J. CLEARY**  
executive vp/general manager

**JAMES M. FRANKLIN**  
vp/finance

Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 515, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 5327 N. Central Expwy., Suite 200, Dallas, Texas 75205; 20-22 Bedford Row, London WC1R 4EB, England. \$1 a copy, \$40 a year in U.S. Canada and all other foreign add \$14 for surface mail. Europe and Middle East only add \$35 for air delivery. First-class mail to U.S. and Canada only, add \$50. Bermuda only, \$85 per year expedited delivery. WILLIAM STRONG, vp-circulation. DIANNE WALSH, circulation manager. ROGER DIGREGORIO, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.



Member of Business  
Publications Audit of Circulation



# THE WORLD'S LEADING INSURANCE BROKERS ARE NOW WORKING IN UNISON.



Unison is the organization created by the leading insurance brokers of Europe and the United States to service the worldwide needs of multinationals.

But working together isn't new to us.

Most of us have been working closely for years, and we share the same working methods and insurance philosophy.

Yet each of us retains our own local identity in the country in which we are headquartered, while we share our national and international expertise.

Our global network numbers over 13,000 people

dedicated to serving clients with a single standard of excellence.

When it comes to insurance, risk management and employee benefit planning, there is nothing a multinational needs that Unison cannot deliver anywhere in the world.

Unison. Worldwide. Single-minded.

And ready to talk with you.

# UNISON

Worldwide. Single-minded.



**LOWERING THE COST  
OF HEALTH CARE IS #1  
ON OUR CRITICAL LIST.**



America's health care system is in critical condition.

In 1970, employer-sponsored health benefit plans paid out \$17 billion. By 1981, it was \$67 billion. So it doesn't take a genius in math to figure out the cost of staying healthy is enough to make us all sick.

That's why at Connecticut General, we've done more than just talk about the problem. We created MediCom<sup>SM</sup> and REMEDI<sup>®</sup>. Two programs that allow us to diagnose the ills of your health benefit plan and then come in and prescribe a cure.

For instance, MediCom can help us analyze claims to determine unnecessary hospital admissions, over-extended stays, or any problem in billing whether it's from a hospital, doctor or lab.

Then REMEDI is the instrument for change. We show you how to install specially designed benefit plans to save everyone time and money.

What's more, we teach your employees about second opinion surgery. And we show them why outpatient procedures and pre-admission testing would be easier for them.

And less expensive for you. In addition, hospital utilization review makes sure everyone's getting just what's paid for as well as just what's needed. No more, no less. Together REMEDI and MediCom form an out-and-out campaign against out of control costs.

And we know our programs work. We've already saved our clients millions of dollars.

So if your medical plan needs immediate care, call your broker, a Connecticut General representative or 1-800-554-3700. In Georgia call 1-800-323-1717 Op. 62.

Our emergency staff is waiting.

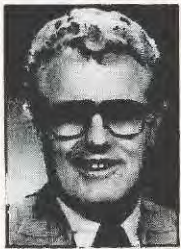
# WE'LL PUT YOU ON THE ROAD TO RECOVERY.

Connecticut General Life Insurance Company  
a CIGNA company

CIGNA

# Owens-Illinois promotes Johnson, Hawker

Owens-Illinois Inc. of Toledo, Ohio, promoted **Richard S. Johnson** to director of insurance operations and **Robert C. Hawker** to risk manager. Mr. Johnson, who joined the company in 1955 as a fire-protection engineer, has been director of risk management since 1971. He now manages



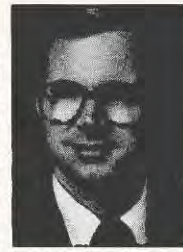
Mr. Johnson

all company insurance subsidiary operations. He retains his risk management department responsibilities, but is devoting more time to the corporation's insurance subsidiary, Owens Insurance Ltd., and to other insurance company investments. Mr. Johnson received a bachelor's degree from Northeastern University in Boston and the CPCU designation. He will be reporting to company Treasurer

## comings & goings buyers

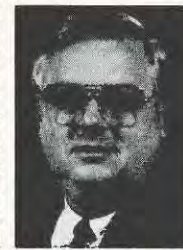
G. Walton Cottrell. Mr. Hawker now handles all internal insurance and risk management. Prior to his promotion, he was manager of insurance and claims and loss-prevention manager at Owens-Illinois. Before that, he was manager of corporate safety and fire protection for Amara Hess Corp. in New York. Mr. Hawker received a bachelor's degree in fire protection engineering

from Illinois Institute of Technology in Chicago. He reports to Mr. Johnson.



Mr. Hawker

\*\*\*  
**Arthur W. Bledsoe**, 47, was elected assistant vp and director of compensation and benefits for Hoffman-LaRoche Inc. in Nutley, N.J. Mr. Bledsoe continues in his post as director of compensation and benefits, which he has held since joining the company in 1977. He is responsible for an employee information system for communicating benefits and a personnel data base. Prior to joining the company, Mr. Bledsoe was director of compensation for W.R. Grace & Co. and director of personnel for Continental Green Co., both in New York. He received a bachelor of science degree from the Wharton School of Finance at the University of Pennsylvania and a master's of business administration degree from Temple University, both in Philadelphia. He is also an adjunct professor at the Teaneck, N.J., campus of Fairleigh Dickinson University. Mr. Bledsoe reports to Human Resources Vp Leonard Silverman.



Mr. Bledsoe

\*\*\*  
**Alan K. Brown**, 35, has been elected staff vp at Allegheny International in Pittsburgh. Mr. Brown retains his title as director of compensation and benefits at Allegheny International. He joined the company in 1975 as manager of pensions and benefits compliance, was promoted in 1978 to director of employee benefits and promoted in 1979 to director of compensation and benefits. He received a bachelor of arts degree in history from William & Mary College in Williamsburg, Va., and a law degree from Case Western Reserve University in Cleveland. He is a member of the Ohio Bar Assn. Mr. Brown reports to George Scott, vp of human resources.



Mr. Brown

\*\*\*  
 UNC Resources Inc. in Falls Church, Va., has named **Anthony J. Robertello**, 28, to the new position of risk manager. As a member of the corporate treasurer's staff, Mr. Robertello will develop the company's risk management program and direct property/casualty insurance and cost-containment activities. Prior to joining UNC Resources, Mr. Robertello was manager of property and marine insurance for NL Industries. He received a bachelor of science degree in management and accounting from Kean College of New Jersey in Union and a master of business administration degree in finance and taxation from Fairleigh Dickinson University in Madison, N.J. Mr. Robertello reports to Treasurer Peter Garahan.

•  
 We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note explaining the promotion and the manager's background to Sallie J. Drury, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5398. We would also like to receive photographs.

# Facing a bogey?

SEE PAGE 6

The image displays a variety of logos for hospital associations across different states and regions. The logos include:
 

- MHA** (Maine Hospital Association)
- NHA** (Michigan Hospital Association)
- GHA** (Georgia Hospital Association)
- IHA** (Indiana Hospital Association)
- AHA** (Alabama Hospital Association)
- CHA** (California Hospital Association)
- ASHA** (Alaska State Hospital Association)
- NJHA** (New Jersey Hospital Association)
- MHA** (Missouri Hospital Association)
- TXHA** (Texas Hospital Association)
- SDHA** (South Dakota Hospital Association)
- WVHA** (West Virginia Hospital Association)
- WIHA** (Wisconsin Hospital Association)

# A Well-Stated Case.

The American Hospital Association and 18 State Hospital Associations sponsor our Directors, Officers, Trustees and Employees Liability Policy for hospitals.

We have issued more than 2,500 policies to hospitals since 1973. That's why you should contact the American Hospital Association (Kenneth P. Epple, Risk Manager, 312-938-0410), the above State Associations, your own agent or broker, or us.

We are GERALD J. SULLIVAN & ASSOC., INC. 800 West 6th Street, Los Angeles, California 90017. Telephone: 213-626-1000; California—800-252-0355; other states—800-421-8969.

We rest our case.

## GERALD J. SULLIVAN & ASSOCIATES, INC.

# Sen. Nickles revives longshore reform

By JERRY GEISEL

WASHINGTON—Sen. Don Nickles, R-Okla., is making a new effort to convince Congress to pass legislation to overhaul the federal Longshoremen's and Harbor Workers' Compensation Act.

Mr. Nickles, chairman of the Senate Labor subcommittee, last month introduced a measure, S. 38, that would cap at 5% any annual benefit increases payable under the act. Currently, benefits are raised every Oct. 1 to match the annual increase in the national average weekly wage.

In addition, the measure, which cleared the Senate last year but died in the House, would cap maximum survivors' benefits at 200% of the average national weekly wage and eliminate death benefits payable to survivors of injured workers who die from causes unrelated to an on-the-job injury.

Insurance industry spokesmen are optimistic that the bill will quickly clear the Senate, but are uncertain about the prospects of success in the House.

## Social Security bill

The National Assn. of Manufacturers says Congress should approve the recommendations made by the administration's Social Security commission.

NAM, which represents many of the nation's largest industrial corporations, says adoption of the recommendations by the National Commission on Social Security Reform is essential to the survival of the public retirement program.

"NAM strongly urges the adoption of this package by the Congress, recognizing that these recommendations represent a compromise," the trade group's board of directors said.

Recommendations by the 15-member bipartisan panel include: accelerating payroll tax increases; taxing half of the Social Security benefits for middle- and upper-income retirees; mandating coverage for non-profit employers and new federal employees; and barring local and state governments from leaving the program.

Those and other recommendations made by the panel already have been introduced in Congress by Sen. Robert Dole, R-Kan. (BI, Feb. 7).

## Health care credit

Employees socked with high medical care bills not covered under their group health insurance plans would receive new tax breaks if Congress passes legislation proposed by Rep. William Clay, D-Mo.

Mr. Clay's bill, H.R. 1172, would allow all taxpayers to claim a refundable tax credit equal to 20% of their medical expenses. For the 1983 tax year, a taxpayer only can deduct those health care expenses that exceed 5% of adjusted gross income.

Under the current tax system, "One must be in that relatively small class of taxpayers who itemize deductions to benefit by the existing provisions of the law," Rep. Clay said.

"Our tax system reimburses poor and middle-income taxpayers for about 20% of their health care while the wealthy benefit by 50% or more," the St. Louis Democrat noted.

## Railroad pensions

Conrail and Penn Central Corp. have agreed to pay \$1.2 million and increase pension benefits to settle a class-action suit by 500 former and

## washington

current railroad employees who didn't receive pension credits for their military service.

Under the terms of the settlement, the retired railroad workers will receive lump-sum pension payments ranging from a few dollars to more than \$10,000. Their future benefits also will be increased.

In addition, 190 other Conrail employees, who formerly worked for the now-defunct New York Central Railroad, will receive increased pension benefits when they retire. Conrail and Penn Central Corp. will share the cost of the additional benefits.

The case involves a 1980 class-action suit filed by the Labor Depart-

ment on behalf of Robert Hunter and other former New York Central employees.

Mr. Hunter started to work for the New York Central in 1937. He left in 1942 to join the Army and returned to the railroad following his discharge from the military in 1946. When he retired in 1977, Mr. Hunter failed to convince Conrail to include his military service in computing his pension benefits.

The class action said that Conrail and Penn Central violated the Veterans' Re-employment Rights Act. That law says veterans are entitled to reinstatement by their pre-service employers with the same pay, seniority and benefits they would

have had if they hadn't been in the military.

Since the suit was filed, the parties involved in the litigation have been meeting to try to reach a settlement before a trial.

The \$1.2 million settlement now must be approved by a U.S. District Court judge in Philadelphia.

Conrail was formed by Congress in 1976 as a private corporation to reorganize and consolidate six Northeastern railroads, including Penn Central, that had filed for bankruptcy.

Penn Central was formed in the late 1960s by the merger of the New York Central and the Pennsylvania Railroad.

## IRA, Keogh assets

Assets held by Individual Retire-

ment Accounts and Keogh plans soared in 1982, a research group says.

At the end of 1982, some \$56.2 billion was held in IRAs and Keogh plans, up from \$25.7 billion in 1981, according to the Employee Benefit Research Institute.

The record \$30.5 billion increase in accumulated contributions is almost six times the amount of contributions made in 1981.

"The 1981 tax incentives provided by Congress for IRAs encourages more responsibility for retirement planning by individuals," said Dallas Salisbury, Employee Benefit Research Institute executive director.

"Last year's phenomenal IRA growth indicates that workers are responding to these incentives," Mr. Salisbury added.

# AMERICAN LAW FIRMS DEMYSTIFIED, DISSECTED AND DEFINED.

Legal bills. They're high. That much is clear. But what's never been clear is which lawyers are really worth what they charge, and what they really do for it. Do they overstaff cases? Do they have the experience in handling *your company's specific problems* that their reassuring voices and knowing look suggest? Are they deal-makers or deal-breakers? *Do they win more than they lose?*

And how do their billing rates compare to lawyers of equal or higher calibre and prestige at other firms?

For example, did you know that for many types of matters it's cheaper to use blue chip Cravath, Swaine & Moore or Sullivan & Cromwell of Wall Street than it is to use a lesser-known firm in Atlanta or in Chicago that has inflated billing rates or inefficient staffing patterns?

Let's face it. To do business in America, you have to do business with American lawyers. But why should you be in the dark when dealing with lawyers? In fact, why shouldn't you be able to size up the opposition's lawyers, too?

Now you can. Because now there's a source to turn to for inside information about America's most private sector. Published by *The American Lawyer*, the highly successful monthly magazine for top law firm lawyers, *The 1983-84 American Lawyer Guide to Leading Law Firms*, is a 2000-page, two volume, fact-filled compendium that profiles 240 of America's top law firms in America's top 20 cities. *The Guide* goes light years beyond the traditional, simple *Martindale-Hubbell* listings of lawyers at various firms.

### 240 profiles: The who, what & why of America's top firms.

In 1981, when the first *Guide* appeared, *The New York Times* called it, "the most ambitious effort ever to crack the secrecy [of law firms]." The new *Guide* goes even further.

*Guide* reporters spent two years on the road crisscrossing the country gathering intelligence on the top firms. They interviewed the key partners at each firm profiled, as well as their clients and adversaries.

Every firm is covered in a detailed profile that typically runs 7-10 pages. The profile tells you billing rates; which partners run the firm and its departments; key clients and the partners responsible for handling those clients; the firm's history and recent growth; and all significant past cases and matters handled in the firm's litigation, corporate, tax, trusts and estates, labor and other departments—including who handled them and *with what results*.

### Two indexes. One for lawyers. One for clients.

*The Guide* also features two easy-to-use indexes. The first references the thousands of lawyers whose practices are profiled. (If someone has just recommended John Smith to you, you can find out about him—fast.) The second provides for the first time anywhere *An Index to Corporate Clients*. It lists thousands of corporate clients across America and throughout the world. You can

quickly determine which firms have done work for your competitors.

### What took us two years to research can be yours for a very reasonable price. And at no risk!

And it becomes even more reasonable with every set of *The Guide* you order. Order one set for \$475. Two sets for \$425 each or a total of \$850. Three sets, \$355 each. Four sets, \$310 each. Five or more sets, \$260 each.

Just clip the coupon and send it along with your check for the appropriate amount. (New York residents please add applicable sales tax.) Do it today and we'll rush your copy by return mail.

You'll see for yourself that American lawyers aren't as mysterious as you thought. You are, however, at no risk. If you don't agree that *The Guide* is as valuable as we say it is, we'll give you a *full refund* if you return it to us in good condition within 10 days of receiving it.

#### THE 1983-84 AMERICAN LAWYER GUIDE TO LEADING LAW FIRMS.

Please send me \_\_\_\_\_ set(s) from the first print run of THE 1983-84 AMERICAN LAWYER GUIDE TO LEADING LAW FIRMS. (See ad for price information and special discounts on multiple orders.) ENCLOSED IS PAYMENT OF \$\_\_\_\_\_ (New York residents please add appropriate sales tax.) I understand that I may return it within ten days for a full refund if I am not satisfied.

Name \_\_\_\_\_

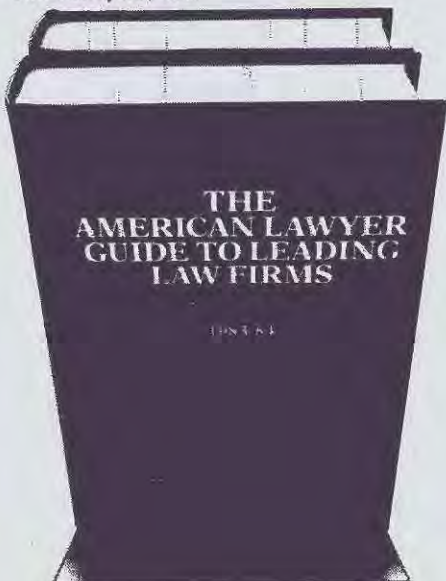
Address \_\_\_\_\_

Company \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

Return to:  
Steven Brill  
Editor and Publisher  
The American Lawyer  
2 Park Avenue  
N.Y., N.Y. 10016  
Dept. B1214  
or call 212-561-8200  
for additional information.



# Continental continues reorganization

The Continental Corp. is reorganizing its line operations into six major business groups, with one new staff support division.

The move represents the second phase of Continental's reorganization plan. The first phase—the consolidation of domestic and international property/casualty operations—went into effect last June.

Under the reorganization, Continental's property/casualty operations have been divided into four new groups:

- A brokerage group, which will coordinate broker-related activities and will be comprised of the following units: Marine Office of America Corp., National Brokerage Services, Foremark and International and Special Facilities.

- An agency group, responsible for domestic and special prop-

## markets

erty/casualty operations and marketing.

- A reinsurance group, responsible for domestic and foreign reinsurance operations. That group is composed of National Re, Buffalo Re, Unionamerica, Magdeburger Re and Continental Re.

- An insurance services group, responsible for services like claims adjusting, technical services and captive management.

An additional insurance staff division has been formed to handle actuarial and personal and commercial lines underwriting operations.

Continental's current life and health group and investment group

will continue to operate under present management structure.

### Independent again

The officers and managers of Schirmer Engineering Corp. have bought back the fire-protection engineering and loss-prevention consulting company from Allstate Enterprises, a Sears, Roebuck & Co. subsidiary, after a 19-year affiliation.

The Deerfield, Ill.,-based company was sold to Allstate in 1964 with 21 employees and its one national office. Today, the company has 80 employees and three regional offices in Falls Church, Va.,

Pleasant Hill, Calif., and Dallas.

The repurchase of the company was effective Feb. 4. Chester W. Schirmer will continue as president of the company.

Schirmer Engineering provides fire protection and safety engineering and consults on fire suppression and alarm system design and fire codes. The company still serves its first three clients: Sears, J.C. Penney Co. Inc. and Republic Steel Corp.

### New subsidiaries

Reinsurance Underwriters Corp. of Convent Station, N.J., has formed two new subsidiaries.

Reinsenco Inc. offers claims management, auditing and consulting services to reinsurers. It also offers these services to specialty insurers

through its Claimco division.

Merrill Management Corp. offers underwriting and claims handling services to insurers and reinsurance of medical professional liability risks. Merrill's name and book of business were acquired from Alexander Howden Group P.L.C.

### Health, life plans

Plan Services, a third-party administrator of multiple employer trusts, based in Tampa, Fla., will offer small group health and life insurance products in conjunction with The New York Life Insurance Co.

Plan Services is a subsidiary of Dun & Bradstreet Corp.

### Acquisitions

The Laub Group Inc., a Milwaukee-based independent insurance agency, has acquired two other Wisconsin agencies: **Medalist Kline Agency Inc.** of Madison and **Miller Bros. Insurance Inc.** of Racine. The Laub Group is a subsidiary of Intertye Corp.

**Holt Corp.**, a New York-based reinsurance holding company, has acquired **Reinsurance Management Services Inc.**, of Parsippany, N.J. Reinsurance Management Services is the managing company of **Pinehurst Accident Reinsurance Group**, an accident and health reinsurer.

The **Wyatt Co.** has acquired the Toronto actuarial and risk management consulting firm of **Bates, Tierney & Brown**. The nine-person staff has joined Wyatt's existing 35-person Toronto office, adding the first risk-management expertise in the office.

Wyatt also has acquired **Executive Compensation Service** from the **American Management Assns.** ECS provides subscribers with salary and benefit data submitted by more than 3,000 corporations, from small businesses to the largest corporations, in 53 industries.

### New offices

**Blue Cross & Blue Shield Assn.** of Washington has moved to new offices at 1709 New York Ave. N.W., Suite 303, Washington, D.C. 20006.

**Republic Hogg Robinson of Texas Inc.** has opened a new office at 9896 Bissonnet St., Suite 565, Houston, Texas 77036; 713-778-0202.

**Yasuda Fire & Marine Insurance Co. of America** has opened a Los Angeles branch office at 600 Wilshire Blvd., Suite 850, Los Angeles, California 90017; 213-624-0992.

**Marsh & McLennan Group Associates**, a subsidiary of Marsh & McLennan Cos. Inc., has opened an office at Two Penn Plaza, Philadelphia, Pa. 19107. M&M Group Associates provides insurance to professional and trade groups. ■

# ZURICHVISION:

How to  
make the  
complex simple,  
the unwieldy  
manageable,  
the unlikely likely.

Ultramodern technology, foreign networks, uncertain economics—these days, special risks can present a complicated challenge. When you look for a special risk carrier, you need one that can rise to the challenge—one that can take the most intricate problem and reduce it to its purest, simplest solution.

At Zurich-American, we think that takes creativity, foresight and imagination—a special blend of qualities we call Zurichvision.

It starts with our approach to special risk coverage, which we custom-tailor from our full product line—primary and excess coverage involving workers' compensation, general liability, commercial auto, property, other property-casualty coverages, even boiler and machinery.

Zurichvision also means ingenuity in account management. We utilize the account team concept, a progressive

approach in bringing together our team of professionals with the producer and the client for direct communication and streamlined service.

Zurichvision means keeping our sights set on every detail, from immediate claim response to specialized loss control facilities, computer claims analysis, staying involved after the account is written, and more.

Our long history of large lines underwriting, our far-reaching international network, our full-service capabilities—together, they give Zurich-American unique capabilities for special risk underwriting.

So the next time you've got the challenge of a large, complex special risk, give Zurich-American a call. Start looking at your special risk business with Zurichvision.



Zurich-American Insurance Companies  
Zurich Insurance Company  
Schaumburg, Illinois 60196

ZURICH-AMERICAN INSURANCE COMPANIES

In  
the  
ruff?

SEE PAGE 6

# Food Processing.



## We understand the risks, because we understand the business.

Everything works better when an insurance company knows your business.

You get expert help with loss control. Claims are processed more efficiently. And, most important, you get imaginative rating techniques that effectively match your premiums to exposures.

You'd expect an insurance

company to know the insurance business.

We've taken the time to learn the food processing business.

As one of the nation's largest insurers, we can design programs for all of your casualty, property, life and health insurance needs.

If you'd like to see the benefits of working with people who understand

your business, give our business a call.

Call our National Accounts office at 715/346-6863.



**Sentry Insurance**

National Accounts Department  
Sentry World Headquarters  
1800 North Point Drive  
Stevens Point, WI 54481

## Bermuda Insurance Week

The International Insurance and Reinsurance Forum

March 7, 8, 1983

Workshop on Risk Financing and Captives

March 9, 1983

7<sup>th</sup> International Captive Insurance Company Conference

March 10, 11, 1983

For information: Director of Conferences—Risk Planning Group, Inc.  
722 Post Road, Darien, CT 06820. (203) 655-9791

# Eades named Bluewater's president

Charles J. Eades has been named president and chief executive officer of Bluewater Insurance Ltd. in Hamilton, Bermuda, a subsidiary of Tennessee Insurance Co.

Mr. Eades is also vp-insurance of Ingram Industries in Nashville, Tenn., and president and chief executive officer of Tennessee Insurance Co.

Mr. Eades will spend half his time in Bermuda managing the operations of Bluewater, which is engaged in worldwide reinsurance exclusive of any parent company risks.

## comings & goings industry

Tennessee Insurance Co. also underwrites third-party reinsurance as well as handles some corporate risks.

### Other reinsurer changes:

**C.E. Erickson** elected vp and secretary at Reinsurance Underwriters Corp. in Convent Station, N.J. He also will hold the same posts with Signet Reinsurance Co., the sister company of RUC. Mr. Erickson has been with

RUC since 1977. In his new position, he will assume duties in treaty underwriting and administration. Both RUC and Signet Reinsurance are subsidiaries of W.R. Berkley Corp.

**Madeleine Wall** elected vp and general counsel of IMG Services Inc., a New York reinsurance brokerage. She also was elected vp, assistant general counsel and assistant secretary at Clarendon Insurance Co. (Bermuda) Ltd., IMG's parent company.

## Insurers

**Joseph T. Basta** appointed senior vp and general manager of standard lines division at Zurich-American Insurance Cos. in Schaumburg, Ill. He was previously regional vp and manager of the special risk regional operation for the Schaumburg, Ill., company.

**Fred Kitchen** appointed chief executive officer of Cherokee Insurance Co., a subsidiary of Dana Corp. based in Nashville, Tenn. Mr. Kitchen was executive vp at Hyland-MacLean Insurance Agency in Toledo when it was purchased by Dana Corp. in 1982.

**Mary Nell Lehnhard** named vp of the Blue Cross & Blue Shield Assn. Washington office. She will direct the operation of the Washington office and explore policy development and implementation. Before joining BC/BS, Ms. Lehnhard was on the staff of the health subcommittee of the House Ways and Means Committee. She succeeds **Stanley B. Jones** who left BC/BS to join a consulting firm.

**Donald M. Peterson** elected president and chief operating officer of Benefit Trust Life Insurance Co. in Chicago. Mr. Peterson was executive vp at Benefit Trust. He succeeds **Ralph J. Eckert** who remains chairman and chief executive officer.

**Robert L. Murphy** elected senior vp-insurance operations for Bituminous Insurance Cos. in Rock Island, Ill., effective April 1. Mr. Murphy had been senior vp-underwriting at the company. **Edmund A. Mueller** succeeds Mr. Murphy as senior vp-underwriting. Mr. Mueller was previously vp-underwriting.

**Raymond D. Schmier** promoted to regional vp for the Mid-Atlantic region of American Health & Life Insurance Co., a group life, disability and medical expense insurer and a Commercial Credit Co. subsidiary.

**Robert P. Dunn** appointed executive vp and chief operations officer of Dodson Insurance Group in Kansas City, Mo. He will head the underwriting, claims and marketing functions at Dodson. Mr. Dunn had been vp and assistant general manager at Dodson. He succeeds **A.L. Milstead** who has assumed management consultant duties.

## Other suppliers

**Richard W. Bureson** named senior vp at the advanced risk management services division of Corroon & Black Corp. in Nashville, Tenn. He is responsible for designing and marketing major property/casualty programs. Mr. Bureson had been director of insurance for Greyhound Corp.

## Agents/brokers

**Dennis P. Top** named executive vp and chief operating officer of Cleveland-based Frank Hall & Co. of Ohio Inc. He was previously vp and unit manager of Herberich Hall Harter Agency Inc. in Cleveland.



## Risk. There is no substitute for knowledge.

You can't get intelligent risk management solutions without asking intelligent questions. That's how we feel. So we offer our clients a unique perspective of the risks they face. Utilizing the kind of technological and human resources that you'd expect from us, one of the world's largest insurance brokers.

It's this full-service approach to business insurance that has served our clients successfully for over 75 years. Wherever in the world they do business. So, contact us. We'll give you the answers, not excuses.

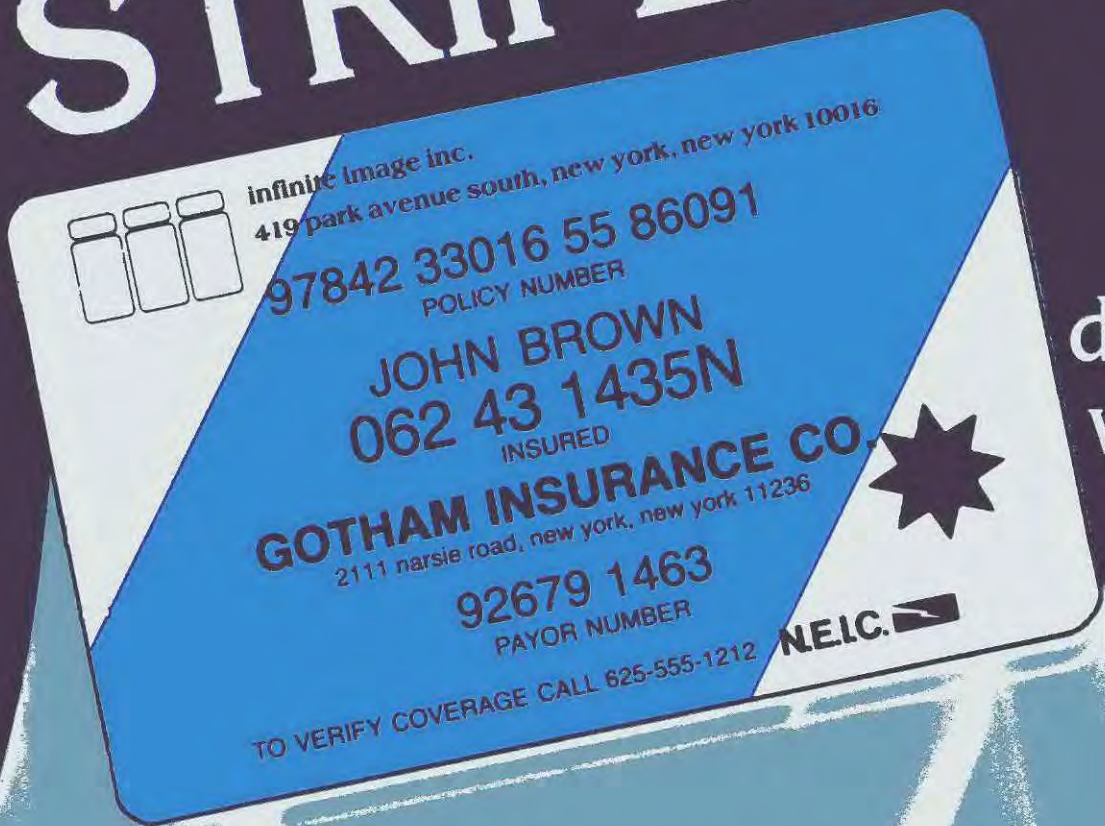


**CORROON & BLACK**

Putting insurance risks into perspective.

Wall Street Plaza, New York, N.Y. 10005 • 212-363-4100

# The STRIPE is here!



23 major private health insurance carriers are distributing the card with the blue stripe.

All 23 members of National Electronic Information Corporation are now distributing identification cards with a blue stripe. These carriers represent 70% to 75% of all private health care inpatient claims. The cards represent their unified efforts to lower costs in handling those claims.

Each card follows the same data format, allowing hospitals throughout the country to quickly and simply prepare claims for electronic submission of "paperless" claims. This includes large chains, such as Sisters of Charity, and hospitals associated with such services as Shared Medical Systems and Mc-Auto. The hospitals will use the cards for ID verification, preparation of claims, and will submit them electronically to the N.E.I.C. clearinghouse in a highly economical batch form — tape or telecommunications. Claims are automatically edited for common mistakes, coding, etc. Then they are forwarded electronically to the proper carrier.

Participating hospitals will reduce verification time, eliminate errors, speed up receipt of claims by carrier . . . and eliminate their own mail room headaches. All that means lower internal costs . . . and faster payment.

Over 1.5 million blue STRIPES have been given out and millions more will be distributed in the next six months. Now's the time to get ready. Those hospitals that prepare now will be the first to be able to process outpatient claims . . . and in many cases, Medicare claims!

**Look for the card.**  
**Get ready for it. Use it.**

**N.E.I.C.**  
NATIONAL ELECTRONIC INFORMATION CORPORATION

**Participating Members:**  
Aetna Life and Casualty  
Allstate Life Insurance Co.  
American General Corp.  
Bankers Life Co.  
Benefit Trust Life Insurance Co.  
Connecticut General Insurance  
Equitable Life Assurance  
Gulf Group Services Corp.  
Hartford Insurance Co.  
John Hancock Mutual Life  
Liberty Life Assurance Co.

Lincoln National Life Insurance  
Massachusetts Mutual Life  
Metropolitan Life Insurance Co.  
Mutual Benefit Life Insurance  
Mutual of Omaha Insurance  
New York Life Insurance Co.  
Pacific Mutual Life Insurance  
Pilot Life Insurance Co.  
Provident Life and Accident  
The Prudential Insurance Co.  
The Travelers Insurance Corp.  
Transamerica Occidental Life

A/P

Follow the STRIPE ...



Send me your free "Get Ready" Kit . . . plus specific info for me.

Mail to: N.E.I.C.  
675 Third Avenue  
New York, NY 10017  
(212) 309-9459

Name/Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City/State/Zip \_\_\_\_\_

# Buyers rank claims service as most important

Continued from page 1

The pilot for a larger national study to be conducted by TPF&C's Employee Benefit Information Center, the group insurance survey is designed to be the baseline against which the corporate attitudes about group medical, dental and life insurance plans of some 2,000 employers will be measured next year.

The Midwest employers surveyed represent nearly \$800 million in paid claims, 640,000 covered employees and \$36 million in retention or administrative charges. They range in size from 500 to more than 90,000 employees and from \$80 million to more than \$9 billion in annual sales.

Individual respondents included A.B. Dick Co., A.C. Nielsen Co., Bally Manufacturing Co., Beatrice Foods Co., the Chicago Sun-Times, Commonwealth Edison Co., Consolidated Foods Corp., FMC Corp., Hyatt Corp., Inland Steel Co., Playboy Enterprises Inc., Rand McNally & Co. Inc., Tribune Co. and Zenith Radio Corp.

Twenty-seven commercial insurers and administrators also participated by providing information on claims reserves, retention charges, coordination-of-benefits credits and the services they are willing to provide to policyholders.

Surprisingly, claims services—a composite category of claims speed, accuracy, reasonable and customary charge policies and claims examiner responsiveness—beat out administrative cost as the most important service, according to the survey respondents.

In an era of rapidly rising health-care claims, researchers had expected a higher priority for cost factors. However, survey respondents were able to make a distinction between expenses related to the high cost of care and the survey category, which related to negotiating, processing and funding costs.

Employers also placed a high priority on service to employees.

"Five of the six services rated most important overall are people-related rather than cost-related," said Deborah J. Wagner, a TPF&C consultant and one of the study's authors.

Employers rated claims payment services as significantly important to them with a score of 4.3 on a five-point scale. Although their satisfaction ranking of 3.6 indicates that they are generally satisfied with service, the disparity between the two scores indicates a desire for improvement.

Individual insurers and administrators, as ranked by their policyholders, scored no better than 4.0 points for satisfactory overall claims service, with two insurers scoring only 3.4 points on the five-point scale.

Within the claims services category, "The single most important service is the accuracy of claims examiners," notes Ms. Wagner. Claims accuracy scored 4.9 points for importance and 3.8 points on the satisfaction scale.

Claims speed also ranked important with 4.4 value points and 3.7 satisfaction points, though individual turnaround time varied among the insurers, according to employers surveyed. Individual medical and dental claims take anywhere from seven to 23 days to process, depending upon the insurer or claims administrator.

Also interesting about the overall claims service ranking is the pre-eminence given to employee treatment over corporate administration needs.

Cost considerations, however, did come in second among employers, with an importance score of 4.1 points and a satisfaction ranking of 3.7 points.

Within the category—which included overall administrative costs, timeliness of renewals, funding flexibility and reasonableness in negotiating—employers ranked overall costs and reasonable negotiating as most important with scores of 4.4 and 4.2 points respectively, but less than perfectly satisfactory with scores of 3.6 and 3.7.

Management reports were also ranked moderately important to employers, but received comparatively low satisfaction scores. Employers scored the importance of management data, including utilization reports, financial reports and ad hoc studies as needed by policyholders, as significantly important with a 3.9 points score.

However, the actual management report services provided fell short of that level, according to em-

ployers who awarded the category only 3.3 satisfaction points.

Within the category, employers were least satisfied with insurers' ability to track utilization, giving this service only 2.8 points. Insurers' ability to generate specialized reports were also less than very satisfactory, scoring only about 2.9 points.

"Attitudes about the importance of utilization reports are somewhat contradictory and difficult to interpret," noted Ms. Wagner. "Participants indicated that utilization reports are only moderately important; however, in another part of the survey 40% to 60% of the survey participants said they would like to receive additional utilization reports and almost 50% said they would like help analyzing utilization data."

Employers' satisfaction scores are also somewhat inconsistent, she pointed out. "In this part of the survey, participants indicated a low level of satisfaction with utilization data, but responding to another question, participants said they were relatively satisfied with 'claims data' which would include utilization reports.

"Based on our general knowledge of the area, however, we do not find the low satisfaction scores in the management-report area surprising," she said.

The only major insurer services categories that received a higher satisfaction rating than its relative importance are those relating to underwriting, including accuracy of claims projections, special financial analysis and union-negotiating help. Employers ranked under-

writing as only somewhat important with 3.2 points, but said it was sufficient with 3.4 satisfaction points.

Within the category, claims projections were comparatively very important, with a 3.9 points rating, while union-negotiating assistance was ranked relatively unimportant with 2.7 points.

Several miscellaneous services, including publications and bulletins and employee benefit communication assistance received low importance rankings and correspondingly low satisfaction scores.

Employers ranked publications and benefit communications as only slightly important with scores of 2.6 and 2.7 respectively, but they said the services were comparatively more satisfactory with scores of 2.7 and 2.9.

**THERE ARE 3 THINGS  
YOU SHOULD KNOW  
ABOUT OUR NEW ACES.**

Gerald R. Guralnik, President  
Woodward Ryan Sharp and Davis

There is no better system than our new ACES for effectively administering group health claims.

This newest version of ACES is being introduced into the marketplace for a limited time at a substantially reduced price.

and, ACES arrives with our firm's CHALLENGE to publicly debate any competitor on the quality of ACES vs. any comparable system.



# Claims administration costs more in insured plans: Study

CHICAGO—Insurers may be charging more than 70% more to administer medical claims under traditional insurance plans than it costs to administer self-funded claims, according to a Towers, Perrin, Forster & Crosby study.

The consultant report, released to the 94 Chicago- and Milwaukee-area employers and 27 insurers and third-party administrators that participated in the comprehensive survey, asked insurers and administrators to report all components of premium collected from the surveyed employers that related to the administration of claims.

These "retention charges," as they are called in the report, were adjusted to exclude commissions paid to agents and brokers, premium taxes and incidentals and in-

clude interest lost to policyholders on reserve funds.

The adjusted retentions were then broken out by cost per employee, per claims transaction and as a percentage of paid claims.

In each case, the average retention charges under traditional insured health insurance plans ranked at least 50% higher than the average of similar charges required under self-insured plans using third-party administrators. The average for the three categories was about 70%.

Minimum premium plans offered by insurers fared slightly better, charging only an average of about 17% more than the average retention for a self-funded plan.

Insured employers paid retention charges averaging 7.7% of paid claims, \$74 per employee per year or \$14 per claims transaction, while self-funded employers paid only 4.3% of paid claims, \$42 per employee per year or about \$9 per transaction.

Employers choosing a minimum premium plan, a cash-flow option offered by insurers, paid 5.2% of paid claims, \$46 per employee per year or about \$11 per transaction.

The specific retentions charged by insurers, however, varied widely, according to the report—one indicator that administrative bargains may still be available from insurers.

"By any of the three measures used, there is a significant spread between the lowest and the highest retentions reported," noted Deborah J. Wagner, one of the study authors. "The middle 50% of the plans included in the study have retentions varying from 3.6% to 6% of paid claims, \$34 to \$61 per employee per year and \$7 to \$14 per transaction."

As expected by the researchers, retention charges reported for individual employers were lower for employers with a high volume of paid claims, she added.

Unexpectedly, the researchers discovered no strong correlation between administrative costs and the number of plans, geographic spread or number of claims offices used under an employer's benefit program.

Self-funded dental plans also beat out insured options in administrative economy, the study says.

Traditionally insured employers paid retention charges of 9.6% of paid claims, \$14 per employee per year or \$10 per transaction while self-funded employers paid only 7% of paid claims, \$11 per employee per year or about \$6 per transaction.

Dental minimum premium plans showed mixed results. Employers choosing this option paid 10.1% of paid claims, \$13 per employee per year or about \$8 per transaction.

"As with medical plans, there are significant variations between the lowest and the highest retentions reported," Ms. Wagner noted.

## Importance/satisfaction with insurer service

<b>Claims payment services</b>		<b>Other</b>	
Importance	4.3	Importance	3.5
Satisfaction	3.6	Satisfaction	3.3
<b>Management reports</b>		<b>All services</b>	
Importance	3.9	Importance	3.8
Satisfaction	3.3	Satisfaction	3.5
<b>Cost</b>		<b>Key</b>	
Importance	4.1	1—Not important/Not satisfied	
Satisfaction	3.7	2—Slightly unimportant/Slightly unsatisfied	
<b>Underwriting</b>		3—Slightly important/Slightly satisfied	
Importance	3.2	4—Important/Satisfied	
Satisfaction	3.4	5—Very important/Very satisfied	
<b>Plan design advice</b>		Source: Towers, Perrin, Forster & Crosby	
Importance	3.5		
Satisfaction	3.3		

### ACES— The System.

This newest version of our Automated Claims Entry System (ACES) is designed to assist benefit managers in controlling the soaring cost of benefits through analysis of claims experience. ACES also dramatically reduces the cost of administration and improves service to employees as it automatically processes Hospital, Medical, Surgical, Major Medical, Disability, Dental and other typical group benefits.

Driven by a comprehensive, flexible plan master file, the new ACES is being introduced with a full complement of on-line capabilities:

- on-line maintenance of plan benefits and their rules
- on-line claims calculation and display under both single and multiple plan situations
- on-line follow-up and resolution of pending or prior approved claims
- on-line claims history access of status, accumulations or details at family, individual, condition or claim level.

In addition, ACES has many superior features including:

- the most complete on-line search capability for tracking suspected duplicate payments
- the most sophisticated on-line correspondence facility
- the most complete set of adjudication files and codes
- the most flexible processing flow for easy adaption by any organization
- the most security conscious on-line operation.

Equally important, ACES has a complete range of off-line reporting and analysis capabilities to accommodate the administrative, financial and actuarial requirements associated with cost containment programs, productivity measurement, benefits utilization and reserve determinations.

And there is more . . . because our commitment to the employee benefit field goes beyond designing software. We believe service is equally important.

Immediately upon becoming a customer, an installation team is assigned and a structured implementation program is initiated that will have your system up and running in 90 days or less. A cadre of Woodward Ryan health claim and system professionals—recruited from the industry's top echelon—insures that every ACES is installed swiftly and accurately.

Training and support for each customer is provided by experienced claims processing professionals who understand the urgency in every customer request.

Woodward Ryan user group meetings and newsletters insure that every customer is continually informed of every new development.

The Woodward Ryan commitment to its products and its customers illustrates a simple fact: the new ACES is designed to be the standard of measure for the industry . . . a standard that will be continually enhanced to anticipate the changing needs of our customers.

### ACES— The Price.

Our new version of ACES is a superlative software system that deserves the recognition due an industry leader.

We believe it deserves the widest possible hearing in the marketplace.

So we decided to do something dramatic to increase attention!

For a 6 month period commencing November 1, 1982, we are reducing the price of the ACES package by 40 percent. During that time, customers may acquire ACES for an

investment of only \$150,000, plus an additional \$15,000 for Functional Specifications.

The package, of course, comes complete with the full assortment of Woodward Ryan installation, training, documentation and service support features.

### ACES— The Challenge.

The new ACES is entering a market where somewhat similar systems are offered by Erisco, ASA, AHS, McAuto, SDC, Dyer Wells and others.

We believe ACES is more advanced than the competition.

To prove the conviction and illustrate the sincerity behind that statement, Woodward Ryan is issuing a direct challenge to every one of its competitors:

"Our firm will publicly debate the representative of your firm, anywhere, anytime, on the merits of ACES vs. your system."

The debate must be in open forum. Customers from both sides may be invited.

The purpose of this challenge is simple. Woodward Ryan knows this new version of ACES is the superior system.

We want our competitor's customers to know it too.

### ACES— An Invitation.

To learn how ACES can meet your individual requirements, call or write:

Thomas G. Eady, Director of Sales  
Woodward Ryan Sharp and Davis  
3 Park Avenue  
New York, New York 10016

TEL: (212) 689-4100

# Buried in a bunker?

SEE PAGE 6

WE TAKE  
GREAT  
PRIDE IN  
PRESENTING  
THIS  
COUPON.

For the 10th consecutive year American Home & National Union, member companies of AIG, are the number one writers of Inland Marine Insurance.\*

We're proud of our outstanding record. Of our unique relationships with the many brokers and independent agents who have helped make our success possible. And of the underwriters and engineers whose knowledge and experience is behind every policy we write.

Now, we'd like to tell you about all the ways we can help with your Inland Marine Insurance.

That's what our coupon is for. After all, we didn't get where we are by waiting for the telephone to ring.

Please send me more information about Inland Marine Insurance.

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_

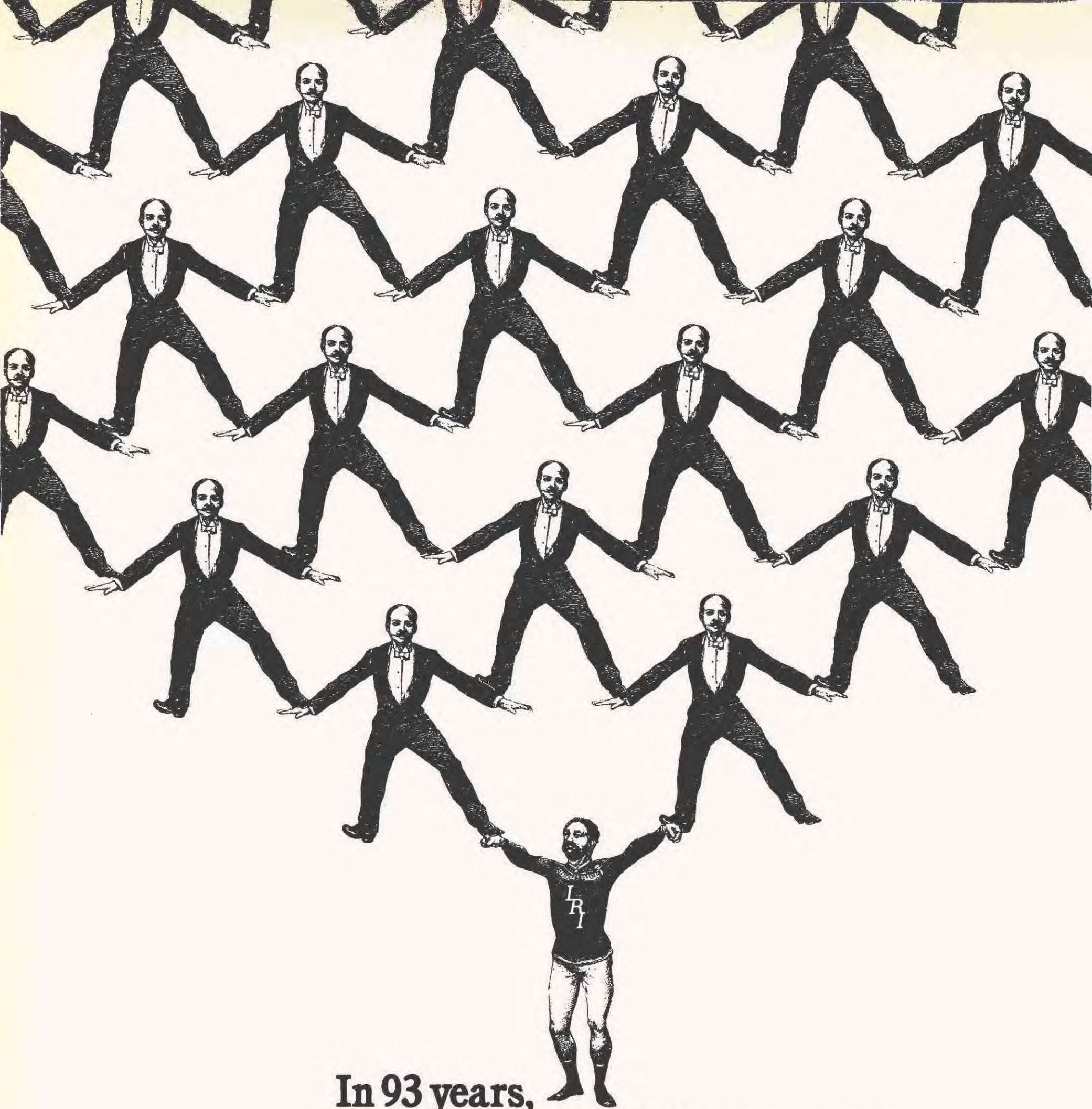
State \_\_\_\_\_ Zip \_\_\_\_\_

BI-2-14-83

**American Home/National Union Companies**  
70 Pine St., New York, NY 10270

\*Best's Insurance Reports

**ONCE AGAIN  
THE ANSWER IS AIG.**



## In 93 years, we've never let anyone down.

You enjoy that kind of security when your property insurance program is with Industrial Risk Insurers. Others may have lingering questions about their coverage letting them down, but not those who specify IRI. Here's why:

- Financial stability provided by 45 of the world's best-known insurance companies.
- Broad property coverage at competitive prices.
- The finest loss prevention services available anywhere.
- Claims honored fairly and promptly.

Contact your agent or broker, or call us collect at (203) 525-2601. Ask for Wayne Crawford, Senior Vice-President. He'll tell you why it's good business to do business with IRI. Hartford, CT 06102.

**Industrial  
Risk  
Insurers**

# FORM AND FUNCTION

## Both are combined in benefits processing

By Thomas A. Mitchell

**T**HE ADMINISTRATION of Retail Clerks Unions & Employers Midwest Pension & Health Benefits Funds includes many data-processing operations. Among them are various insurance programs and the dues-billing services provided to two local unions.

The insurance benefit program includes life, dental, vision and prescription drug benefits for members in Illinois, western Missouri and parts of Arkansas, Oklahoma and Iowa.

The RPX Prescription Drug program presented an administration problem. It was a new function for us and there were no forms. We checked into programs being used by other prescription drug benefit-processing organizations and came to the conclusion that we could develop a

Thomas A. Mitchell is assistant administrator, Retail Clerks Unions & Employers Midwest Pension & Health Benefits Funds in Chicago.



better program ourselves at a lower cost.

To help us, we called in forms specialists from the Standard Register Co. in Dayton, Ohio, for the technical advice required to design the needed documents.

There are four major forms—a card carrier for mailing a plastic identification card, a claim form, a batch transmittal and a check. We also use a continuous form letter to cover questionable claims.

Before establishing the program, we surveyed pharmacists in the appropriate geographic areas and signed up those who agreed to participate. We also arranged to obtain regular reports concerning wholesale drug costs on which to base compensation. Then came the forms.

The claim form is a three-part Zipset document, 3½ inches deep by 8 inches wide. Quantities of this form are supplied to the pharmacists and are used to record information on a prescription sale to a member. Claims are normally batched once, twice or perhaps three times a month by a pharmacist and then sent to us for processing. Form copies are for the customer, our office and the pharmacist.

The batch transmittal form is a single-part document, the same size as the claims form and is used to accompany a

batch of claims sent to us by the pharmacist. This allows the pharmacist to record total numbers of claims and the amount to be paid and it also provides a space to order supplies.

We review the claims, match them to an eligibility file, determine the amounts to be paid and then generate checks every three weeks. All claims, paid or not, are listed on the check, a two-part document.

A form letter identifying questionable claims goes along with the check. The letter is written to allow the pharmacist to support the claims not paid and, we hope, to give us more information that will allow us to make a more informed decision.

Another form we use is made by computer. Twice annually, members are sent embossed identification cards. To mail the cards, we use a computer-processed continuous form. It is made of two parts glued back-to-back. This construction allows for a die-cut slit and pocket to hold the card and for an addition of a return postcard.

The carrier section and postcard are side-by-side, giving a total form width of 18

inches, with margins, and a depth of 3¼ inches. The return card makes it easy for the member to advise us about changes in status, address and other information.

Forms play an important part in the administration of our other programs—dental, employer contributions, pensions, life and health insurance and so on. Our goal has always been to make all our forms more efficient and sophisticated and to take advantage of the latest advances in equipment.

We are now investigating the possibilities of bar-code scanning, which will mean new concepts and new approaches.

Obviously, changes will require form redesign. By having a forms-design service as a part of our Forms Management program, we can remain more than a step ahead. New technologies in hardware must be accompanied by similar advances in forms design and printing.

To keep us abreast of new developments, we rely on specialists in both design and technological areas. This sort of help is invaluable to the efficient and proficient conduct of our data-processing operations.



# PUTTING THE BRAKES ON COSTS

## Employers looking for ways to lower the price of car benefits

By Adlore Chaudier  
and Eric L. Hubbard

**"TAKE MY CAR?"** For most high-level executives, taking their business cars is akin to a salary cut.

But, as corporations respond to current economic pressures and seek to exercise greater cost control, the executive car benefit can stick out like a sore thumb.

As a result, several companies are reducing their executive car fleet at the middle-management level. At the same time, many companies are increasing personal-use charges, thus returning more dollars to the company. More corporations will likely join these trends.

Company-provided cars as perks won't disappear, but their cost to employers is receiving careful scrutiny. As a result, executives at various management levels can expect the value of their perks to be lessened. In other words, a great deal could become a good deal.

People involved in establishing corporate policy on executive fleets should recognize two key problems that arise in the effort to cut back this benefit.

First, the guidelines covering the executive car program are invariably the same as those relating to other assigned fleet automobiles. A survey of 31 fleets by Runzheimer & Co. Inc. showed 84% of corporations had no guidelines to distinguish the executive car fleet from the working fleet. Indeed, 16% of the executive fleets surveyed lack personal-use charges.

Adlore Chaudier is editorial director of the publications division and Eric Hubbard is vp-consulting services in the transportation division of Runzheimer & Co. Inc. in Rochester, Wis.

That gap in rules opens the door to charges from the Internal Revenue Service for failure to report this item.

Second, corporate policymakers often are unaware of the benefit value of an executive car. This may result because those who make corporate policy are not involved in measuring the actual ownership and operating costs for those automobiles.

Accurate cost and benefit data are the heart of a successful executive car program. But appropriate guidelines have to be established first.

To calculate the benefit value of an automobile, you must know the total ownership and operating costs related to the make and model of the car within the area it is driven (see chart). This information provides the basis for sound, personal-use chargeback rates, or W-2 income levels. It can also provide valuable cost information when a salary adjustment is desired or when a car is taken away because of transfer, promotion, reassignment or a change in executive car policy.

The need to annually update the benefit value of an executive car is shown in the chart. It breaks out the costs for a typical manager's automobile from 1973 to 1982. At the same time, the rapid increase in the value of this benefit since 1979 clearly shows why businesses should be especially sensitive to the benefit value of executive/managerial cars.

According to the table, the benefit value for a car used 80% for personal driving jumped 30% in just one year, from 1973 to 1974. Since then, the automobile as a benefit has continued to accelerate as a result of various economic pressures. Between 1978 and 1979, the

Annual benefit values of an executive car  
(1973 to 1982)

Year	Total annual cost		Annual benefit value	
	Running	Fixed	80% personal use	100% personal use
1973	\$ 728	\$1,214	\$ 998	\$1,942
1974	1,043	1,362	1,301	2,405
1975	990	1,399	1,271	2,389
1976	960	1,448	1,264	2,408
1977	923	1,461	1,239	2,384
1978	855	1,503	1,199	2,358
1979	1,073	1,758	1,460	2,831
1980	1,268	1,989	1,696	3,257
1981	1,388	2,489	1,963	3,877
1982	1,365	2,727	2,026	4,092

#### Basis:

1. Buick Regal 2-door equipped with automatic transmission, power steering, power disc brakes, air conditioning, AM/FM stereo, cruise control, tinted glass, power windows and door locks; 1973-1977 models have 350 cubic-inch displacement engine; 1978 has 305 CID engine; 1979 has 301 CID engine; 1980-1982 have 231 CID engine.
2. Assumes vehicle is retained four years and driven 15,000 miles per year.
3. Gas prices based on July 1 prices of respective years.
4. Fixed expenses include license; depreciation; financing; insurance—comprehensive, \$100 deductible; collision, \$250 deductible; and liability (\$100/300/50M).
5. The 80% personal mileage benefit value is based on 20% business mileage and vehicle used for or held for business purposes 240 days.
6. One-hundred percent personal use benefit value based on zero business mileage (total perquisite).

Source: Runzheimer & Co. Inc.

value of this benefit increased 22%. Within the space of a decade, this same value for an executive automobile swelled by 103% to \$2,026 by 1982.

As of 1982, within the conservative parameters established for this table, the benefit value of a typical executive automobile driven 20% of its total mileage

for business stands at \$2,026, a financial item of which businesses should be aware. In a time of escalating costs and the resultant need to search for economical yet well-received employee benefits, businesses should have such data in hand and establish clear fleet and related benefits guidelines. ■

## Fraud isn't determined by amount of award

**A**S LONG AS there was a sound basis that a claim under a fire insurance policy was made in good faith, with no intent to deceive or defraud, a disparity between the amount sued for and the amount awarded by a jury did not establish fraud, according to a New York appellate court.

Jonari Management Co. began operating a medical center at premises it leased from O'Brien Enterprises Inc. O'Brien, at its own expense, had renovated the premises for Jonari's use. Jonari, in turn, sublet the premises to 15 different medical disciplines. Two weeks after it was opened, a fire extensively damaged the medical center.

Jonari was insured under a fire policy

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for \$5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the number for each opinion.

### legal briefs

issued by St. Paul Fire & Marine Insurance Co. Jonari sought \$73,000 for personal property damage, \$36,000 for destruction of improvements and \$96,000 for lost rental income.

A jury awarded the full amount of the lost rental income, only \$52,000 for personal property damage and rejected outright any claim for any improvements Jonari had made.

On appeal, St. Paul contended that inasmuch as Jonari was not awarded the full amount claimed, a finding of fraud by the jury was previously established. Thus, St. Paul argued it was not liable under the policy's standard concealment and fraud clause.

However, the court said materiality was the key question and without a material misrepresentation or misstatement, no action would point to actual fraud and deceit. *Jonari Management, etc. vs. St. Paul Fire &*

*Marine Insurance Co., New York Supreme Court, Appellate division, March 16, 1982 (BI/04/O.-\$5).*

#### An insurer's duty

An insurer had a duty to defend its insured in a lawsuit, at least until the insurer could confine the claims to a means of recovery that the claims did not cover, according to a federal appellate court.

CEA and its subsidiary were both equipment manufacturers and were insured by Hartford Accident & Indemnity Co. Coverage was for bodily injury or property damage caused by an occurrence. Weyerhaeuser Co. purchased equipment from CEA that allegedly malfunctioned.

Weyerhaeuser sued CEA seeking more than \$2.2 million while making vague claims, including recovery for the

equipment's contract price and damages to a boiler. CEA sought defense services from Hartford. Hartford refused and brought action seeking a determination on whether it was obligated to defend or indemnify CEA. The trial court ruled that Hartford had no duty to defend CEA.

However, the appellate court reversed the decision, emphasizing that an insurer's duty to defend its insured against the suit is substantially broader than its duty to pay claims.

Thus, the court said any reasonable doubt as to whether one of Weyerhaeuser's claims fell within the parameters of the policy's coverage should be resolved in favor of finding a duty to defend the policyholder. According to the court, Weyerhaeuser's allegation of consequential damages to the boiler clearly satisfied the policy's "property damage" requirement. *Weyerhaeuser Co. vs. CEA, U.S. Court of Appeals for the 9th Circuit, March 31, 1982 (BI/03/N.-\$5).*

JANUARY, 1979

© 1979 General Reinsurance Corporation

© 1983 GRC

s?

mselves. Af-  
no operation  
ized that the  
e involved  
number of  
as with the  
hundreds.  
supplying  
dustry.  
interrelated  
posed upon  
Commis-  
ad service  
ness with  
ed, an an-  
minal ele-  
ancillary

underpin-  
mandate to  
ancillary  
in New  
ained in  
to Con-



**It's 1984. Do you know where your reinsurance is?**

General Re has more underwriters, with more experience, and more ideas, in more places, than any of our competitors.



**General Re**

General Reinsurance Corporation, 600 Steamboat Road, Greenwich, CT 06830. Atlanta, Chicago, Columbus, Dallas, Hartford, Houston, Kansas City, Los Angeles, Montreal, New York, Philadelphia, San Francisco, Seattle, Toronto.

### Time flies.

A few years ago when this ad ran, 1984 seemed a long way off. But now, late payment or even non-payment of claims is a real issue. That's why financial stability, prompt payment of claims and personal contact are so important in selecting your reinsurer. General Re offers a depth of skill, experience and financial resources unsurpassed by any other domestic reinsurer. For reinsurance you can trust, call General Re today.



**General Re**  
America's Largest Reinsurer

General Reinsurance Corporation, Greenwich, Connecticut  
Atlanta, Chicago, Columbus, Dallas, Des Moines, Hartford, Houston, Kansas City, Los Angeles, New York, Philadelphia, San Francisco, Seattle, Washington, D.C., Montreal, Toronto, and London.

## datebook

**FEB. 21-23. Labor-Management Trustees and Administrators** institute in Orlando, sponsored by the International Foundation of Employee Benefit Plans; \$390 for members; \$465 for non-members. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

**FEB. 21-24. Inspector Training** seminar in Houston, sponsored by the International Safety Academy; \$490. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77224; 713-932-9400.

**FEB. 21-25. Professional Consulting in Safety and Loss Control** course in Atlanta, sponsored by the International Loss Control Institute; \$625. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

**FEB. 22-23. Risk Management Concepts for the Safety Professional and Insurance Buyer** course in Los Angeles, sponsored by the University of Southern California; \$225. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523.

**FEB. 23. Risk Management Information Systems** conference in Detroit, sponsored by Corporate Systems; \$50. Also Feb. 24 in Cleveland. Chuck Allen, Corporate Systems, P.O. Box 31780, Amarillo, Texas 79120; 806-376-4223.

**FEB. 23-25. Retirement Planning** workshop in Houston, sponsored by Retirement Advisors; \$425. RAI, 919 Third Ave., New York, N.Y. 10022; 212-421-2400.

**FEB. 24-25. Key Issues in Asian Insurance 1983** conference in Hong Kong sponsored by the Institute for International Research Ltd.; \$545; \$475 for more than one registrant from the same company. IIR Ltd., 14th Floor, Golden Star Bldg. 20 Lockhart Road, Hong Kong; 5 291229; telex 62172.

**FEB. 25-26. Alternative Methods of Dispute Resolution in Major Disputes: The State of the Art** institute in San Diego, sponsored by the Tort and Insurance Practice Section of the American Bar Assn.; \$325 for TIPS/ABA members; \$350 for ABA members; \$375 for assn. non-members; \$300 for lawyers; \$75 for law students. ABA, National Institutes, 10 W. 35th St., Chicago, Ill. 30616; 312-567-4675.

**FEB. 27-MARCH 2. Bank Security** annual conference in New Orleans, sponsored by Bank Administration Institute; \$425 for members; \$550 for non-members; \$250 for law enforcement personnel. Keith Marshall, Bank Administration Institute, 60 Gould Center, Rolling Meadows, Ill. 60008; 312-228-6200.

**FEB. 28-MARCH 2. Safety for the Oil Field** se-

minar in Houston, sponsored by the International Safety Academy; \$395. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77224; 713-932-9400.

**MARCH 2-4. Petroleum Insurance** fourth annual conference in New Orleans, sponsored by the Professional Development Institute and RIMCO Risk Management; \$395. Joanne Paulman, PDI, P.O. Box 13286, N.C.S.U. Station, Denton, Texas 76201; 817-565-3344.

**MARCH 2-4. Reinsurance Concept** conference in Atlanta, sponsored by the Risk & Insurance Management Society; \$445 for members; \$545 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**MARCH 3-4. General Liability & Workers Compensation Classification** seminar in Houston, sponsored by the American Insurance Assn.'s Premium Audit Advisory Service; \$75. Faye E. Stiles, PAAS, AIA, 85 John St., New York, N.Y. 10038; 212-669-0400.

**MARCH 4. Reducing Employee Benefits Costs** seminar in Columbus, Ohio, sponsored by the Municipal Finance Officers Assn.; \$125 for MFOA members; \$175 for non-members. International MFOA Career Development Center, 180 N. Michigan Ave., Suite 800, Chicago, Ill. 60601; 312-977-9700.

**MARCH 7-9. Fundamentals of Insurance** conference in New York, sponsored by the Risk & Insurance Management Society; \$345 for members; \$445 for non-members. Editorial Depart-

ment, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**MARCH 7-11. Bermuda Insurance Week** in Hamilton, Bermuda, sponsored by Risk Planning Group; \$550 for the international insurance and reinsurance conference; \$550 for the second annual captive conference; \$200 for the risk financing and captives conference. Eileen B. Callahan, Conference Coordinator, RFG, 722 Post Road, Darien, Conn. 06820; 203-655-9791.

**MARCH 7-11. Assets Protection** course in Dallas, sponsored by the American Society for Industrial Security; members, \$595; non-members, \$650. ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

**MARCH 7-11. Basic Safety Management** seminar in Los Angeles, sponsored by the International Safety Academy; \$570. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77224; 713-932-9400.

**MARCH 8. The All-Risk Package Concept** seminar in Chicago, sponsored by the Boiler and Machinery Insurance Assn. of Chicago; \$20 advance registration; \$25 day of seminar registration. Bruce Wills, Royal Insurance, 10 S. Riverside Plaza, Chicago, Ill. 60606; 312-648-4700.

**MARCH 8. Health Care Cost Containment** briefings in Seattle, sponsored by the International Foundation of Employee Benefit Plans; \$130 for members; \$155 for non-members. Also March 9 in San Francisco, March 30 in Toledo,

Ohio, and March 31 in Chicago. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

**MARCH 9-10. Health Care Cost Containment** workshop in Atlanta, sponsored by the Health Research Institute; \$395. HRI, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

**MARCH 10. Workers Compensation: Effective Administration in Illinois** conference in Chicago, sponsored by the Illinois State Chamber of Commerce; \$80 for members; \$120 for non-members. Also March 24 in Decatur, Ill. Center for Business Management, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

**MARCH 10-11. Business Errors and Omissions Insurance** seminar in New York, sponsored by the Practising Law Institute; \$325. Also March 21 in San Francisco. PLI, Department CJC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

**MARCH 14-16. Liability Sunset or Sunshine** ninth annual claim conference in Orlando, Fla., sponsored by the Shippers National Freight Claim Council; \$220 for members; \$275 for non-members. SNFCC, 120 Main St., Huntington, N.Y. 11743; 516-549-8984.

**MARCH 14-18. OSHA Guide to Voluntary Compliance** course in Los Angeles, sponsored by the University of Southern California; \$500. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523.

**MARCH 21-23. Techniques of Risk Management** conference in Atlanta, sponsored by the Risk & Insurance Management Society; \$345 for members; \$445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**MARCH 21-24. Reasoning Reinsurance** seminar in Dallas, sponsored by the University of Dallas; \$445. Bruce D. Evans, University of Dallas, Reinsurance Management Institute, Irving, Texas 76061; 214-721-5360.

**MARCH 21-25. Property Conservation** course for agents and brokers in Long Grove, Ill., sponsored by the Kemper Group; \$400. W. P. Thomas, Kemper Group, NID (HPR) A-1, Long Grove, Ill. 60049; 312-540-3380.

**MARCH 21-25. Fundamentals of Industrial Hygiene Monitoring** course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$425. John Garis, NATLSCO, Long Grove, Ill. 60049; 312-540-2026.

**MARCH 23. Public Employee Benefit Plans** workshop in New York, sponsored by the International Foundation of Employee Benefit Plans; member, \$130; non-member, \$155. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

**MARCH 23-25. Captive Insurance Companies Establishment, Operation & Management** course in London, sponsored by the Risk Research Group Ltd.; 350 pounds (approximately \$532) plus value-added tax. Sue Moore, RRG, Bridge House, 181 Queen Victoria St., London EC4V 4DD, England; 01-236-2175.

**MARCH 25-26. Product Liability Law** program in Chicago, sponsored by Professional Education Systems Inc.; \$165; \$150 for additional registrants from the same company. Professional Education Systems Inc., 409 Galloway St., P.O. Box 1428, Eau Claire, Wis. 54701; 715-836-0060.

**MARCH 28-31. An Ergonomic Approach to Materials Handling** seminar in Houston, sponsored by the International Safety Academy; \$375. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77224; 713-932-9400.

## Browne nominated for second term

HARRISBURG, Pa.—Michael L. Browne has been renominated by Governor Richard Thornburgh for a second term as head of the Pennsylvania Insurance Department.

Mr. Browne's nomination must be confirmed by the Pennsylvania Senate.

Before being appointed commissioner by Gov. Thornburgh, Mr. Browne, 36, was a Philadelphia attorney.



**THE MONARCH**  
INSURANCE COMPANY  
OF OHIO

Incorporated 1864

Specialists in  
**ASSUMED TREATY  
REINSURANCE**  
Including Pools and Associations

**The Monarch Insurance Company of Ohio**

A Wholly-Owned Subsidiary of  
Pearl Assurance p.l.c., London



19 Rector Street  
New York, N.Y. 10006  
Telephone: 212-422-1850  
Telex: 12-6899

# Off your game?

SEE PAGE 6

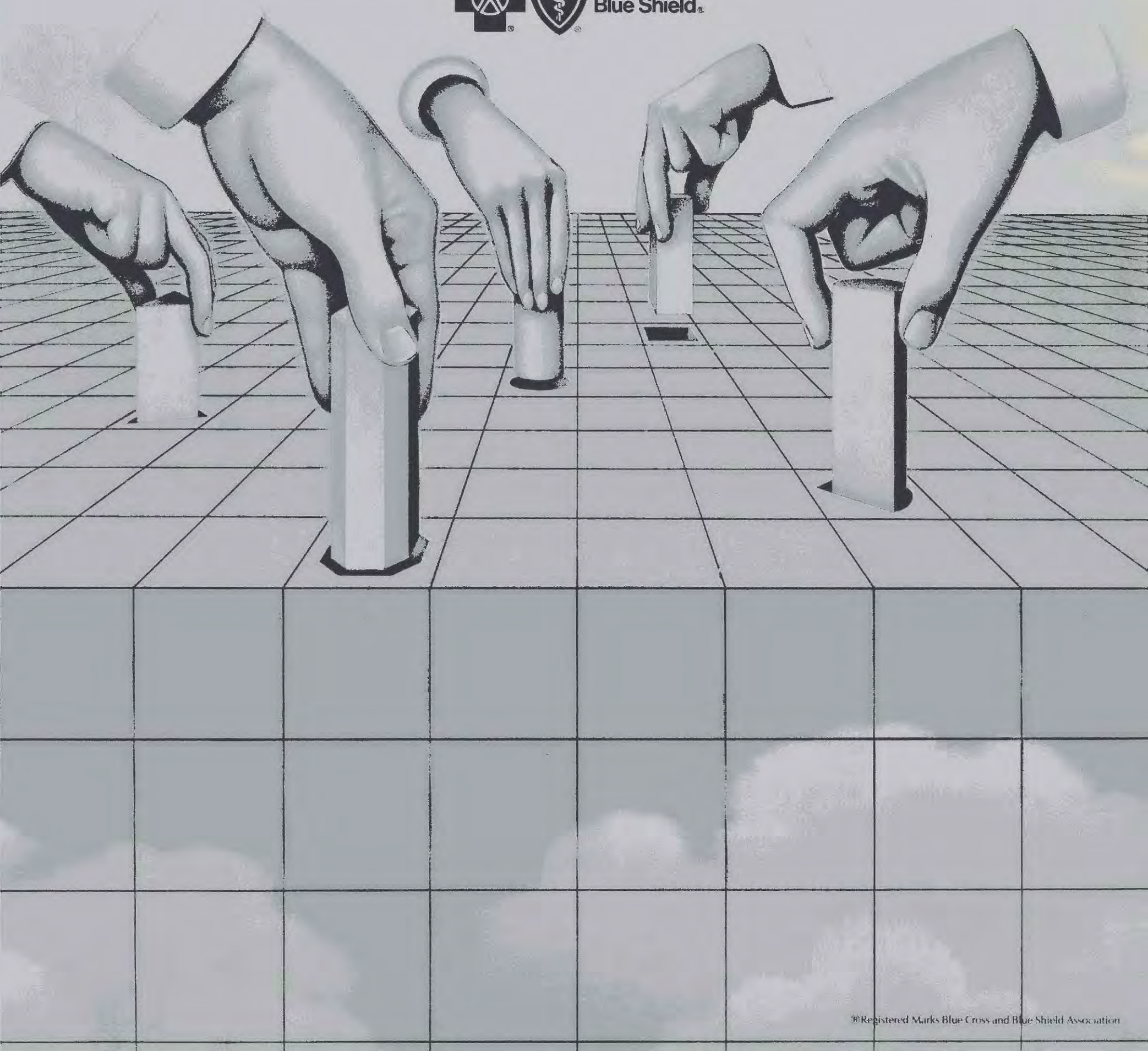
# BECAUSE HEALTH CARE NEEDS COME IN ALL SHAPES AND SIZES, SO DO OUR BENEFIT PACKAGES.

When it comes to choosing employee health care coverage, every company has its own set of needs. To meet these needs, while satisfying cash flow objectives, we developed a bold new approach called the Blue Cross and Blue Shield Metamatrix System.

With greater flexibility in the size and shape of health care packages, the Metamatrix System allows you the freedom to have the most effective, cost-efficient program. For example, with options in covered services, deductibles, and copayment amounts, you can shape major medical benefits to your specifications. In addition, you're allowed flexible approaches to "stop-loss" and "out-of-pocket-limit" features.

Yet product flexibility is only one dimension of the Metamatrix System. With flexible financing, improved service, uniform delivery and strengthened cost containment programs, this highly adaptable system can accommodate any company's needs. Exactly.

The Blue Cross and Blue Shield Metamatrix System. Find out how you fit in. Contact your local Blue Cross and Blue Shield Plan for more information on America's leader in health care protection. **AMERICA'S #1 GET WELL CARD.**



# Coming Up! Employee Benefits: Controlling Costs

Issue Date: March 14, 1983  
Ad Closing: March 1, 1983

New York:  
220 East 42nd Street, N.Y. 10017 (212) 210-0133  
Chicago:  
740 Rush Street, IL 60611 (312) 649-5275  
Los Angeles:  
6404 Wilshire Blvd., CA 90048 (213) 651-3710

Reporting weekly for corporate risk,  
employee benefit and financial executives.



## info

- A booklet describing the **supervisor's role in controlling workplace hazards** is available from M&M Protection Consultants, a division of Marsh & McLennan Inc. It shows how supervisors can help prevent injuries and illnesses. A single free copy is available; two to nine copies cost \$1 each with quantity discounts available. To order, write Nancy Jakes, M&M Protection Consultants, 222 South Riverside Plaza, Chicago, Ill. 60606.

- Safety procedures requiring the locking of power sources help **protect workers from injury while servicing machinery**. These procedures have been formalized and adopted by the Occupational Safety and Health Administration. For a free copy of a summary of the "American National Standard on Lockout/Tagout of

Energy Sources for Personnel Protection," write Samuel Alcorn, Senior vp, Bayly, Martin & Fay International Inc., 660 Newport Center Drive, Suite 1000, Newport Beach, Calif. 92660.

- ARMAC Inc. rehabilitators explains the many stages of **adapting to a disabling condition**. For a free copy of "Psychological Adjustment to Chronic Disease and Disability," write ARMAC Inc., Box 239, Beverly, N.J. 08010.

- The National Safety Council also offers a program on **hearing protection**. "Sound Sense for You and Your Hearing," a 16-page booklet for employees, is available to National Safety Council members at 32 cents each, and to non-members at 40 cents each. The minimum order is 50 booklets with quantity discounts available. To order booklets write the Order Department, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611.

- The Florida Hospital Cost Containment Board has published a **price comparison for gallbladder surgery** guide, which surveys Florida acute care hospitals. Gallbladder surgery is the most common type of surgery in the state. For a free copy, write Ralph Glatfelter, Director, Public Information, FHCCB, Larson Building, Tallahassee, Fla. 32301.

- A checklist for **safety and loss-control inspections** for restaurant owners is available from Finch Associates, a consulting firm. The checklist covers safety for workers, patrons, products and property. For a copy of the checklist, send \$2 to Leta Finch, Finch Associates, Box 225, Collamer Circle, Shelburne, Vt. 05482.

- The Defense Research Institute maintains a bank of approximately 6,000 **legal briefs**. If you would like information on DRI's brief bank, write for a free copy of the second-quarter supplement to the Brief Bank Index. DRI, Public Relations Department, 733 N. Van Buren, Suite 650, Milwaukee, Wis. 53202-4773.

- Two booklets to help **evaluate risk management programs** are being offered by the International Risk Management Institute. One checklist is for governmental risk managers and the other is for data processors. Copies are \$15 each and can be ordered from the International Risk Management Institute, 10300 N. Central Expressway, Suite 208, Building III, Dallas, Texas 75231.

- New Ways to Work has published a booklet on **analyzing the cost of job sharing** to employers. Copies are \$4.75 each. To order, write Nan McGuire, Employer Program Manager, New Ways to Work, 149 Ninth St., San Francisco, Calif. 94103.

- A series of articles prepared by Andrew Edwards & Co. study the **agency-owned captive**. For a free copy, write Andrew Barile, Andrew Edwards & Co. Inc., 99 John Street, New York, N.Y. 10038.

Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? Business Insurance will describe material costing less than \$20 as an editorial service in the weekly Info for Buyers column. Simply send us a short description of the material to be offered, along with the cost and a mailing address. Address all contributions to Info for Buyers, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

# Announcing a company that had 225 years of international insurance experience before it existed.

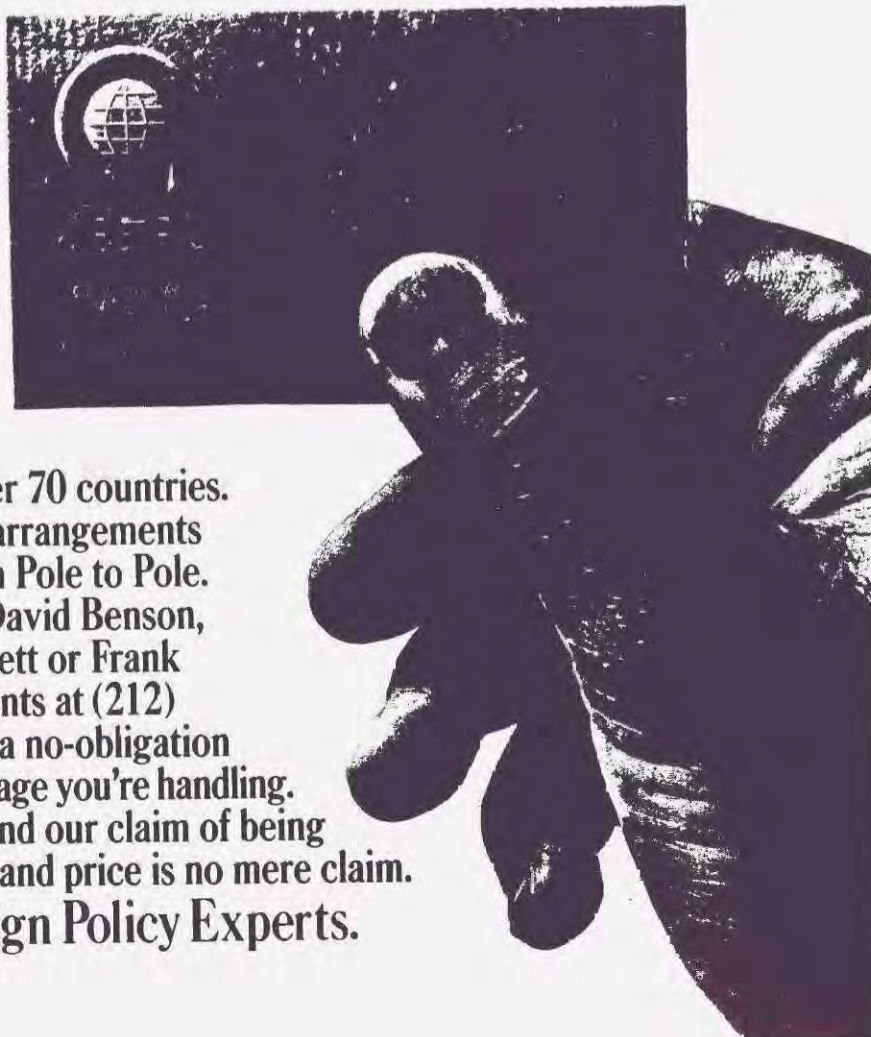
If you write overseas coverage for U.S. businesses or U.S. coverage for overseas companies, you really should get to know AEGEN International.

We pool the resources and experience of three of the biggest names in insurance: Aetna Life & Casualty, Generali of Trieste, and Taisho of Tokyo.

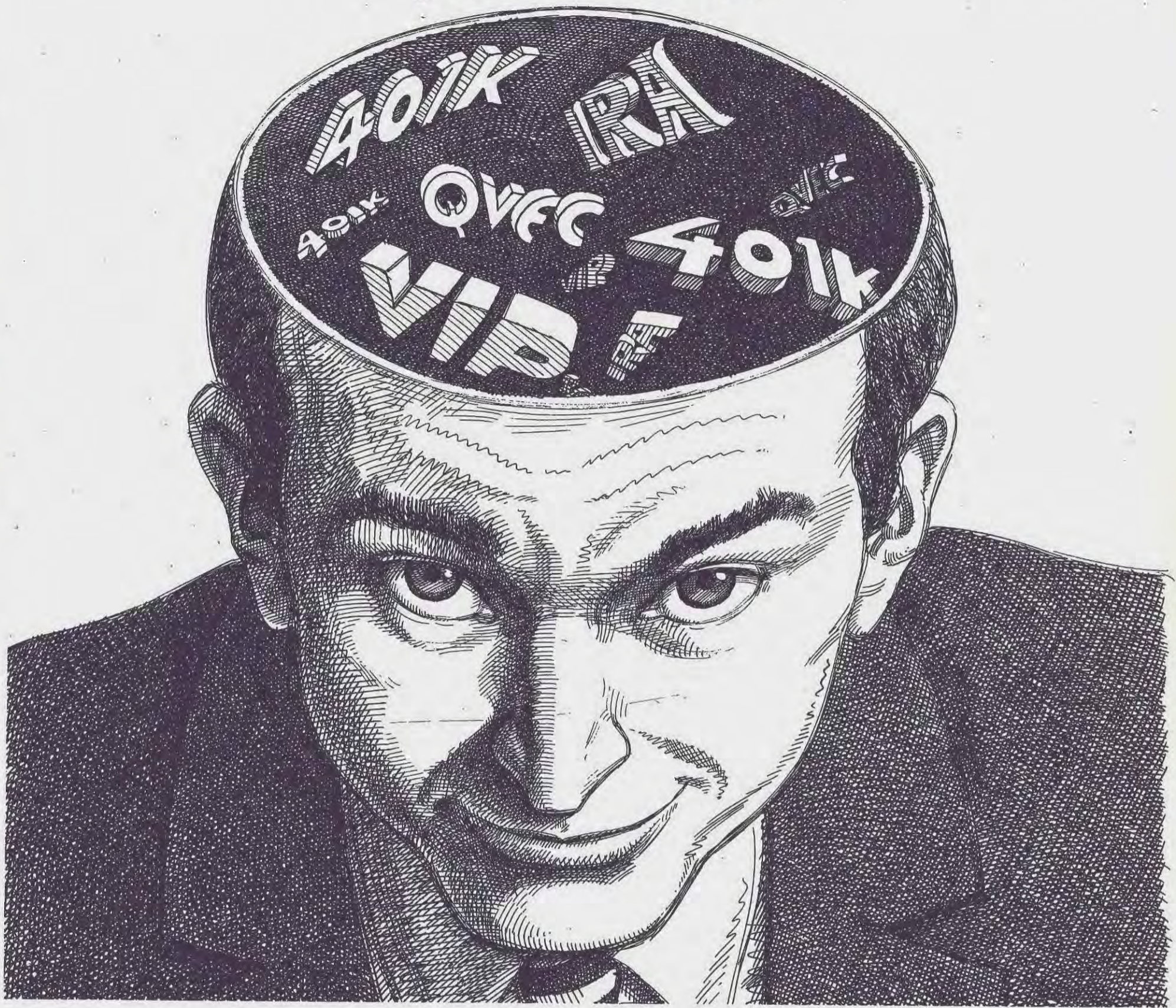
Thanks to our international network, we can offer you very competitively-priced insurance in over 70 countries. Or, we'll make special arrangements for you anywhere from Pole to Pole.

So why not dial David Benson, President, Dennis Fassett or Frank Makovec, Vice Presidents at (212) 285-8080 and ask for a no-obligation review of any risk package you're handling.

We think you'll find our claim of being competitive in service and price is no mere claim. AEGEN. The Foreign Policy Experts.



# Before you pick a retirement savings plan, pick our brains.



In a market as confusing as this one, smart buyers use somebody else's brains.

After all, some companies are offering 401K's while others offer Group IRA's or after tax voluntary investment plans. And still others offer QVEC's.

So it's nearly impossible to figure out what's best for you without

any help. And a company that only offers you one or two plans has vested interests that aren't necessarily yours.

That's why you need to talk to Connecticut General. We give you the option to look at all the options. Then we sit down and work with you to figure out which plan meets your specific needs.

And we can only do that once we know your objectives, the characteristics of your people and your current benefit plans.

So if you'd like to pick our brains about employee retirement savings plans, call your local Connecticut General pension specialist.

We'll make sure you get a retirement plan that never stops working.

**Connecticut General Life Insurance Company**  
a CIGNA company

**CIGNA**

# Use of 401(k) plans growing: Survey

NEW YORK—More than 71% of a sample group of employers say they either now offer or plan to offer 401(k) savings plans to their workers, a new survey reveals.

Of 287 respondent companies in industry, banking and financial, utilities and other areas, 204 said they provide or plan to provide 401(k) programs, according to "Corporate Attitudes and Approaches to Cash or Deferred Arrangements (Section 401(k))," a survey conducted by Buck Consultants Inc. last December.

These plans, also known as salary reduction plans, allow employees to elect to place part of their pretax salaries into a company profit-sharing or savings plan. The money accumulates interest tax-free until the employee withdraws the money.

Since the contribution is taken directly from an employee's pretax salary, the amount contributed to the plan isn't treated as taxable income.

Thirty percent of the companies plan to start the 401(k) plan as an optional feature of an existing savings plan, 26% want to establish a separate, entirely new salary reduction program, 24% say they'll convert an existing plan to accept only 401(k) contributions and 16% either offer or will soon offer a combination of programs.

Seventy-six percent of the 204 companies said they would include a provision in their 401(k) plans that would allow employees suffering a hardship to withdraw before age 59½, and 45% said they would allow workers to borrow from the plan. Nineteen percent will consider having both provisions.

Although an overwhelming majority of companies said they would offer the plans, the appeal could be slightly tarnished if Congress adopts a recommendation by President Reagan's Social Security commission to subject wages deferred under salary reduction plans to FICA taxes (BI, Jan. 24).

Because the money is paid directly into these cash-deferred plans by the employer rather than deposited by the employee, it counts as an "employer" contribution, not as taxable income to the employee.

If an employee makes less than \$35,700 (the wage base for computing FICA taxes this year), then any reduction taken in salary correspondingly reduces an employee's and an employer's FICA taxes.

According to an example prepared by Buck, an employee who earns \$24,000 a year and has 6% of salary deferred to a 401(k) plan could slash both the employee's and employer's FICA taxes to \$1,512 from \$1,608, a savings of \$96 each.

For a copy of "Corporate Attitudes and Approaches to Cash or Deferred Arrangements," write Buck Consultants Inc., Marketing Department, Two Penn Plaza, New York, N.Y. 10121.

## Employer unveils home health plan

Continued from page 3

- Services provided by a housekeeper or "homemaker" supplied by an approved home health care agency.

- Physical, occupational, speech or respiratory therapy by a qualified therapist.

- Nutrition counseling provided by or under the supervision of a registered dietitian.

- Medical supplies, laboratory services and drugs and medications prescribed by a doctor.

Planning Research's health benefits are partially self-insured under a minimum premium arrangement with Prudential Insurance Co. of America.

Other features of Planning Research's new health program are:

- A new hospice care program that provides the same level of coverage as the home health care program.

- An ambulatory surgery benefit.

- Coverage for charges at birthing centers.

- A pre-admission testing program.

- A second surgical opinion program in which employees undergoing minor surgeries must pay more of the cost if they do not solicit a second opinion.

The changes, a company official explains, were made to help control Planning Research's health care costs, which rose to \$6 million in 1982 from \$4 million in 1980.

Employees choosing the low-deductible plan contribute \$10 a month toward premium through payroll deductions, while employees choosing the high-deductible plan must pay \$15 monthly.

Previously, employees did not have to contribute anything toward the premium for individual coverage. The former plan also had a \$100 deductible and paid 80% of all covered claims.

## RIMS to present reinsurance class

NEW YORK—A new course, "Reinsurance Concepts," will be offered by the Risk & Insurance Management Society March 2-4 in Atlanta.

The course will cover what risk managers should know about basic reinsurance concepts, placing reinsurance, rating reinsurers, the implications of self-insurance and captive techniques.

A computer-assisted method, the reinsurance operational simulation exercise, also will be introduced. This exercise shows various transactions that occur in a reinsurance company.

The fee is \$445 for RIMS members and \$545 for non-members. For more information on the reinsurance course contact the RIMS Education Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

If it's insurable,  
we'll find a market.

Call us.



**Geo. F. Brown & Sons, Inc.**

The Placement Specialists

ATLANTA • 404/396-7620  
BOSTON • 617/367-8260  
CHICAGO • 312/977-9400

HOUSTON • 713/578-7222  
KANSAS CITY • 816/474-7327  
LOS ANGELES • 213/383-7501

NORTH NEW JERSEY • 201/263-8770  
PHILADELPHIA • 215/592-0560  
SAN FRANCISCO • 415/777-3278

A subsidiary of Interstate National Corporation,  
one of the Fireman's Fund Insurance Companies

# Trouble beating par?

SEE PAGE 6

# Many home care plans don't cut costs

*Continued from page 3*  
 centives are an important ingredient for a successful home health care program, an employer must also conduct pre-admission reviews, in-hospital treatment reviews and claims analyses to determine which patients are well enough to finish recuperating at home.

"I would not recommend (home health care) as a cost-containment feature unless you're ready to take the next step—monitoring hospital stays and actively communicating the benefit to employees," suggests Robert L. Bonin, benefits administrator for First Chicago Corp., parent of First National Bank of Chicago.

"If you want to use the program to save money," explains Mr. Bonin, "then your goal is to monitor hospital stays. If cost containment is your goal, you'll have to encourage people to leave the hospital."

Mr. Bonin says that First Chicago does not consider the home health care option in its self-funded medical plan a cost-containment device because the bank does not monitor hospital stays to decide who should be recuperating at home.

Instead, the home health care option is there for the employees who want to use it.

"Our home health care program wasn't put in as a cost savings feature. Home health care is a very humanitarian benefit," he says.

A good home health care program, experts say, should provide employees coverage for visits by physicians and nurses; physical, respiratory, occupational and speech therapists; and homemakers or housekeepers. In addition, it should cover the cost of nutrition counseling provided by registered dietitians, medical supplies, laboratory services, medical equipment and medications prescribed by a physician.

In most cases, these services will be arranged by a home health care provider. Such providers include visiting nurse associations, hospital-sponsored home health care groups, non-profit home care agencies and for-profit agencies.

Most home health care agencies have their own staff of registered and licensed practical nurses as well as certified therapists and dietitians.

Some home health care agencies, like the South Hills Home System, a home health agency operating in the Pittsburgh area, offer far more than basic medical care.

South Hills provides social and psychiatric counseling, performs blood tests, conducts electrocardiograms and provides respiratory care.

"We've had some seriously ill patients leave the hospital for home care," explains Kathy Frasca, South Hills' executive director. "We've (provided) machinery that monitors heart patients and dialysis machines moved into the homes of some patients."

"Some open-heart patients have been able to leave the hospital within a week and resume medical care at home," she adds.

## Loss-control school offering courses

LOGANVILLE, Ga.—The International Loss Control Institute offers home-study courses in seven areas of loss-control management.

The seven areas are: accident control, management fundamentals, risk management, fire protection, environmental health, security and independent research projects.

For more information contact Richard Morrison, ICLI, Box 345, Loganville, Ga. 30249.

Kimberly Home Health Care Inc. of Kansas City, Mo., a subsidiary of Kimberly Services Inc., which operates home care agencies across the country, offers 24-hour service, seven days a week. It not only provides visiting nurses, therapists and aides, but can provide patients with live-in personnel as well.

**Employers can incorporate** home health care programs into their comprehensive health plans, major medical plans or develop them as stand-alone programs, benefits experts say.

An employer plan should cover 80% to 100% of the cost of home health care if the employer is hoping to use it as a cost-containment tool. Although an employer can require deductibles and coinsurance payments, experts stress that the home health care plan should pay

more than a hospitalization plan so employees have an incentive to check out of the hospital.

Experts say employers also must encourage doctors and hospitals to support home health care.

"You have to talk to the local physicians," explains David Ehrenfried, a consultant in the health care services division of the Blue Cross/Blue Shield Assn. in Chicago. "You also have to have contact with the hospitals. You must ask whether they have a discharge program."

Charles Cohen, manager of the cost-containment claims planning unit at Metropolitan Life Insurance Co. in New York, agrees.

"You have to promote the coverage to employees, doctors, hospitals and other providers so that they will release patients for home care," Mr. Cohen explains.

## What the experts suggest you do

Benefits experts suggest employers take their time when devising a home health care plan to make sure it accomplishes its goals.

"A home health care program should be added prudently. A lot of thought should go into the definition of the benefit: who's covered, what the program provides and what providers are available," suggests Kenneth Drummer, a vp with Frank B. Hall & Co.

Experts suggest employers accomplish the following items before they begin to offer a home health care benefit.

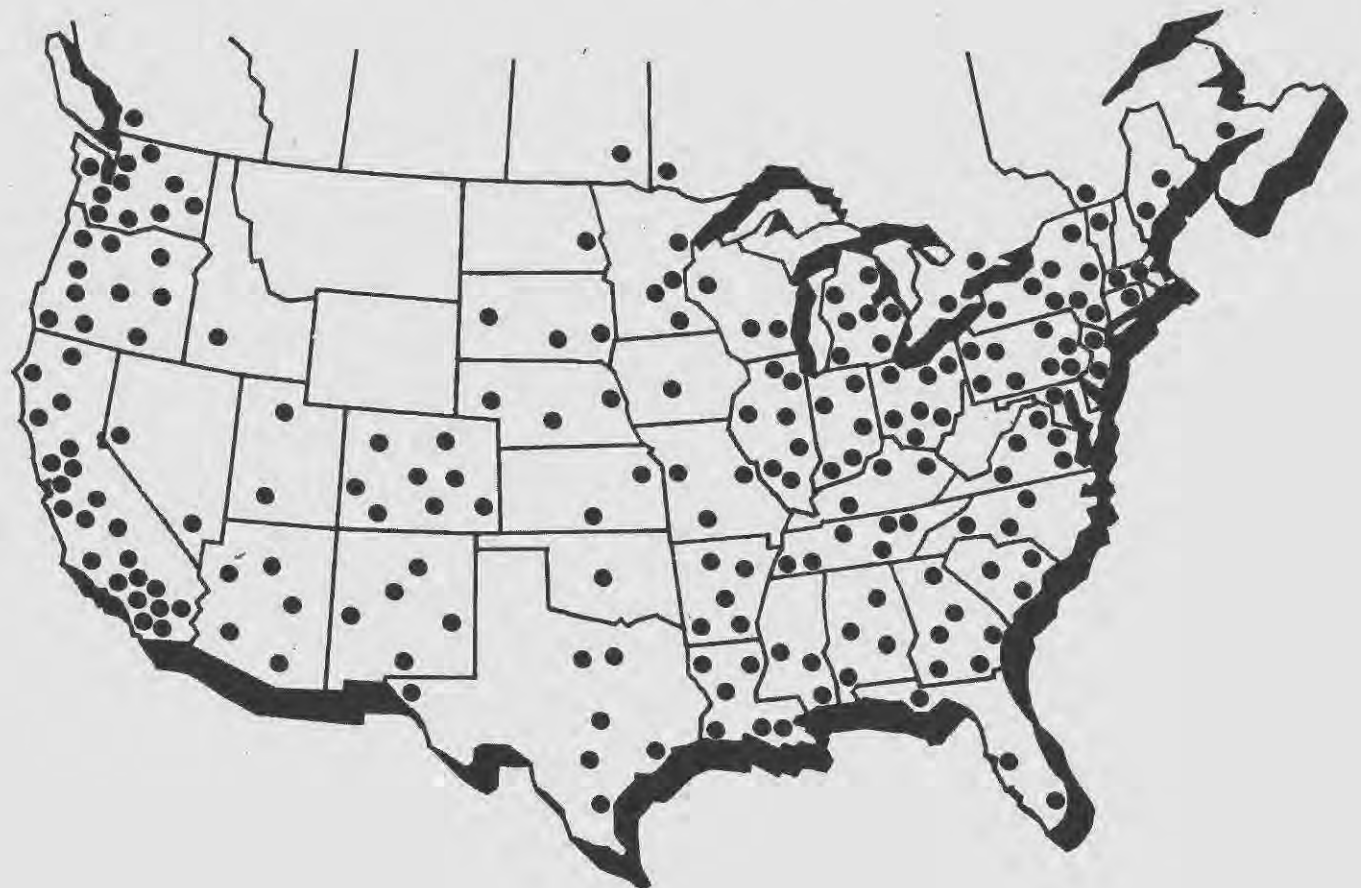
- Conduct an in-depth claims analysis and other health plan reviews to determine whether your workforce would benefit from a home health care program. For example, a company with a primarily young workforce would not benefit as much as a company with more elderly employees simply because younger workers are less likely to contract long-term illnesses.

- Implement a strong communications program that includes audiovisual, brochures and verbal information sessions.

- Establish pre-admission testing programs, peer reviews or other devices to monitor hospital stays so you can determine how long a patient should remain in the hospital.

- Consider what incentive you will offer employees who use the program. The options include paying a greater portion of the cost of home health care as you would for inpatient care or reducing the level of coverage for an employee who chooses to remain in the hospital after a review has suggested the patient be released.

# \*ISU/InsurorsGroup



**With over 400 franchise members  
 our strategy is carefully mapped out...**

- To provide a select group of aggressive insurance independents with a Unique Selling Position which comes from the combination of the strength and resources of size and the high level of personal interest inherent in independent ownership.

- To provide a select group of aggressive insurance companies with efficient, economical access to a market force dedicated to in-

creasing market share.

- To provide consumers with superior service and the best value in insurance and risk management protection on a consistent, competitive basis.

For information call Susan Mead: outside California 800-682-0707. Inside California 800-622-0974. Or write \*ISU/InsurorsGroup, P.O. Box 2822, San Francisco, CA 94126.



\*ISU/InsurorsGroup

Insurance Systems Unlimited  
 Our Knowledge Is Your Best Insurance™



## Take Charge of Your Career in Employee Benefits

**Become a Certified Employee Benefit Specialist**

In today's highly competitive job market, the successful candidate is one who sets himself apart from the rest of the field. In employee benefits, the best way to distinguish yourself is through attainment of the Certified Employee Benefit Specialist (CEBS) designation. More and more employers with openings in benefits are looking for individuals with CEBS credentials. Why? Because it says a lot about a candidate's knowledge, professionalism and commitment to excellence.

Join the thousands who are using CEBS as their pathway to professionalism.

The CEBS program is cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania.

For more information contact: **CEBS Department**  
International Foundation of Employee Benefit Plans  
P.O. Box 69  
Brookfield, WI 53005  
(414) 786-6700

Please send me the CEBS Catalog of Information.  
Name \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
City/State/Zip \_\_\_\_\_

BI-2/83

# Effect of DRG program not yet known

Continued from page 3  
tion that the DRG system is a success.

"DRGs are the primary reason why costs are being maintained in New Jersey," said Jeffrey A. Warren, executive secretary of the Hospital Rate Setting Commission.

Others are not so sure. Hospital expenses have traditionally been lower in New Jersey than for the rest of the country, says Maureen Hannigan, a cost-containment consultant with Metropolitan Life Insurance Co. She contends that it is uncertain how much of a cost difference can be attributed to the program.

Ms. Hannigan adds that decrease in patients' length of stay is not necessarily an indication of greater hospital efficiency, but may only indicate greater patient volume.

An analyst for the New Jersey Hospital Assn. pointed out that a hospital's efficiency can be more precisely measured by inpatient cost per capita or how much it costs to treat each patient admitted. The statistics do not yet offer any clear indication of the system's success or failure in this area, the analyst says.

Per-capita costs in New Jersey hospitals rose 10.6% in 1979 and 15.8% in 1980, the year DRGs came

into use. But the increase dropped to 11.5% in 1981.

By contrast, national per-capita cost increases rose steadily during the same period, from 12% in 1979 to 14.9% in 1980 and 17.7% in 1981.

"We've never had that kind of difference," the analyst said, comparing New Jersey's latest 11.5% per-capita cost increase to the nation's 17.7%.

As much as three percentage points of the difference can be explained by the fact that inflation was not as high as in the rest of the country and by differences in the quality of hospital services and methods of figuring charges in the state compared with the rest of the United States, the analyst said.

"I have no information beyond that, and I begin to wonder," he said.

"It may—and I emphasize the word may—be due to the DRG system. It may not," he explained. "If you see the same numbers in 1982, people will start drawing the conclusion that it may be the DRG system."

Numbers for 1982 probably won't be available until September.

Meanwhile, major health insurers report widely varying claims experience under the system.

Blue Cross of New Jersey's costs are actually rising faster because of the DRG system, according to Joseph Walsh, a Blue Cross vp. That's because one provision in the law that set up the program requires Blue Cross and the federal Medicare program to bear part of the burden of "uncompensated care," the bad debts and charity cases incurred most often by urban hospitals.

With each new group of hospitals that has come into the system since 1980, a "new bump" has shown up in Blue Cross' costs, Mr. Walsh says.

Before the DRG system was introduced, the costs of uncompensated care were passed onto commercial health insurers and self-paying patients, not Blue Cross and Medicare.

The Travelers Insurance Co. estimates that its claims were reduced by 12% to 15% in 1980 among the 26 hospitals that participated in the DRG system that year.

The Travelers' estimate is based on the company's projection of what it would have spent on claims in those hospitals had the DRG system not been in place, said Vp John Troy.

A portion of the company's savings may have resulted from reduced uncompensated care costs, Mr. Troy observed.

Other insurers—including Metropolitan Life and Prudential Insurance Co. of America—also say they have experienced savings, though neither is sure exactly how much has been saved or how much can be attributed to the system.

However, some insurers, including New York Life Insurance Co., say the cost of implementing the DRG system has consumed any

health-cost savings. For example, administrative costs have increased since insurers now must review claims to make sure that patients have been classified in the correct DRG, says Malcolm MacKay, a senior vp at New York Life.

"We get all these claims, and we have to determine if we should be paying the appendicitis rate or the stomach-cramp rate," he said, adding that such a review is a "fairly complicated and costly procedure."

The insurers that complained about administrative costs said, though, they are optimistic that the DRG system would turn out to be effective in controlling costs, but all agreed that it is still too early to pass judgment.

"The DRG mechanism itself embodies the incentives necessary to control costs," said Blue Cross' Mr. Walsh. But, he added, "Trying to get a handle on the impact of DRGs is nearly impossible."

The Hospital Rate Setting Commission does face a deadline for getting some kind of handle on the system's impact: Medicare administrators will review the system in December to decide whether to extend the waiver under which Medicare has participated in the system.

If Medicare pulls out of the DRG system, the entire system will have to be overhauled.

The commission hopes to have compiled statistics by that time that will give a reliable indication how much the DRGs have saved, Mr. Warren says.

Hospital administrators, like insurance company executives, are optimistic that the system will work, but the administrators continue to face many of the practical problems created by the system.

"The concept is an excellent one, but the administration of DRG is cumbersome," said Anthony J. Schinella, senior assistant vp for finance for United Hospital Medical Center, a 538-bed facility in Newark.

The state Department of Health, which was forced to borrow time on the state Transportation Department's computer, has completed the final 1980 reconciliations for only three of the first 26 hospitals to join the DRG system. No reconciliations have been completed for 1981 or 1982.

United Hospital's expenses exceeded its predetermined budget by \$6.1 million in 1981, the year it joined the system. The commission granted \$1.7 million of relief in 1982, and the hospital has a tentative agreement with the state Health Department to make up another \$2.2 million this year.

This, along with the "upheaval" in medical record keeping caused by the switch to DRGs, has left the hospital with a cash-flow problem, Mr. Schinella said.

The Department of Health hopes to have the 1980 reconciliations completed by this summer and the 1981 reconciliations completed by the end of the year.

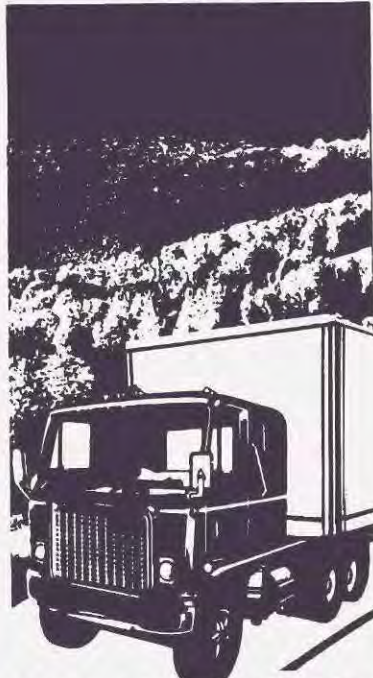
Hospitals also say the commission has been tardy in setting prospective rates. Participating hospitals did not receive the rates they were supposed to charge in 1982 until midway through the year, a delay caused in part by the expansion in the number of DRGs.

Mr. Warren of the Hospital Rate Setting Commission acknowledged that delays have been caused by both the inability of both the state and the hospitals to collect data quickly enough.

Both the state and the hospitals agree that problem is improving; hospitals received their 1983 rates last fall.

"In the long run, if we have the information up front, it will be a good system," said Thomas J. Foley, president and director of Overlook Hospital in Summit, N.J.

# 3 Great Workers' Compensation Group Programs



### 1. RECREATIONAL MARINE INDUSTRY GROUP . . .

for marinas, boat dealerships and all allied segments of the industry; program includes U.S.L. & H.

### 2. TRUCKMENS' INDUSTRY GROUP . . .

for long, short or intermediate haul fleets and owner operators.

### 3. SECURITY INDUSTRY GROUP . . .

for security guard, detective and patrol agencies, burglar & fire alarm monitoring, sales & installation.

CoverX has long advocated the use of mass purchasing power to reduce insurance costs. All three of these fine Workers' Compensation Group Dividend Plans acknowledge that principle . . . and all are underwritten by CoverX on behalf of major insurance carriers and are available in most states.

Be the competition . . . Come to CoverX.

For further information or applications call or write . . .

## COVER X CORPORATION

30161 Southfield Road, Southfield, Mich. 48076 - Tel.: (313) 644-3200, Telex 23-5635

# Stymied on the green?

SEE PAGE 6

# Water workers strike makes companies thirsty for advice

Continued from page 2

IRI told its clients to:

- Complete all repairs and test all fire-prevention equipment before the workers walk out.
- Make sure all water supplies on site were full, including fire pump suction tanks, pressure tanks and reservoirs.
- Make arrangements for alternate water supplies in case of an emergency should government sources affected by the strike fail. Policyholders were told to negotiate with nearby companies that had on-site ponds or access to rivers.
- Contact local representatives of the National Water Authority to keep up-to-date with strike developments and to learn what water supplies have been cut.

This last point was left up to the local management, Mr. Johnston said.

this goes on any longer, we may have one or two claims," said a spokesman for the National Farmers' Union Mutual Insurance Society.

The only farmers who would be covered by insurance, he said, are poultry farmers who can buy a special policy that covers failure of water supplies. The coverage will pay losses from the death of chickens or destruction of eggs.

The Milk Marketing Board, which markets all British farmers' milk products, has not seen any milk-production loss due to a lack of water to clean equipment.

But, the board has made contingency plans to transfer operations to another plant should one of its 33 creameries shut down because of a lack of water.

After the water workers walked off their jobs, IRI put the final three points of the program into effect. Policyholders were told to:

- Cease all testing of fire-protection equipment if water is needed to conduct the test. IRI usually suggests that HPR policyholders test fire-protection equipment once a week.
- If equipment tests do not require water, however, they should be carried out as usual.
- Contact IRI officials if the strike affected a company's water supply and, if necessary, put a program called R.S.V.P. ("Restore Shut Valves Promptly") into effect.

Under that program, policyholders are told to shut off some fire-protection water valves, although that violates usually safety procedures, until the water supply returns to normal, Mr. Johnston said. The shut valves are labeled so that they opened again when the water supply returns to normal.

IRI also told policyholders to take extra security and safety measures, especially if water supplies are diminished, to make sure that fires and other emergencies are noticed immediately.

"This is a routine part of prevention," said Mr. Johnston.

The IRI program is designed to conserve only emergency water supplies, not the flow of water needed to maintain normal operational levels.

The British Insurance Assn. points out that business interruption coverage may pay for losses should production be curtailed because of a lack of water.

"You could obtain business interruption insurance to cover the breakdown of a plant and business interruption from the supply of your water," said a BIA spokesman, who added, though, that some business interruption coverages specifically exclude losses caused by a strike.

So far, none of IRI's properties have suffered water loss, Mr. Johnston says. However, other areas of Britain have not been so lucky. Last week, about 21,000 customers in England and Wales were without water because water mains had burst and there was no one to repair them.

In addition, 7 million customers were boiling their water because it had been contaminated by sewage.

Britain's farming industry may be the hardest-hit by the water strike, especially if it continues much longer. Farmers need fresh water to feed their cattle and poultry and to clean pens and tanks. Without fresh water, business interruption losses may start adding up.

"There is no experience of any problems at the moment, though if

## A MISSED ISSUE IS MISSED INFORMATION



Use this form, or the card in this issue, to enter your subscription to Business Insurance. Or call (312) 649-5221.

### Business Insurance

Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars. (Check here.)

	Surface Mail.	By Air.
USA	<input type="checkbox"/> \$40	<input type="checkbox"/> \$90
Canada	<input type="checkbox"/> \$54	<input type="checkbox"/> \$85
Bermuda (Air only)		<input type="checkbox"/> \$75
Europe/Middle East (Air only)		Rates on request.
All other foreign	<input type="checkbox"/> \$54	

new subscription.  renewal.  payment enclosed.  
 bill me.  bill company.

name \_\_\_\_\_ (please print)

title \_\_\_\_\_

company \_\_\_\_\_

nature of business \_\_\_\_\_

business or  home address

city \_\_\_\_\_ state/country \_\_\_\_\_ zip/postal code \_\_\_\_\_

Please send information on your special 25%-off group rate for five or more subscriptions.

I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance  
 Circulation Dept. 740 Rush Street Chicago, IL 60611

# Net, net interest and book value payouts show just how hard we're working for you.

Trans PAC\* is the new group pension contract from Transamerica Life. And it rolls up its sleeves for your fund's assets. All of your assets down to the last penny. There's a four year interest guarantee on each deposit. No expenses charged to your fixed account, unless additional options are selected. And there are book value payouts at death, disability and normal retirement. And when each four year cell matures, your assets can automatically be reinvested at current rates or paid out at book.

The fixed dollar portion of Trans PAC is a guaranteed account. With new guaranteed rates declared every month. We take the load off your shoulders.

For full details on Trans PAC, contact:

**Jim Wilson**  
 National Sales Director  
 Transamerica Life Insurance and Annuity Company  
 Sales and Service Administration  
 P.O. Box 54178  
 Terminal Annex  
 Los Angeles, CA 90054  
 (213) 742-3301



\*not available in all states

**Transamerica**  
 Pension Services

# AIG stuck with albatross after paying claim

Continued from page 1

Details of the Abscam-style case emerge in court papers, most of them filed Jan. 25 in U.S. District Court in Alexandria, Va.

The government accuses the three men of trying to arrange through the Soviet consulate in Toronto to sell the line to an intermediary company in France (where a special export permit is not required), which would then have resold the line to the Soviet Union.

But the intermediary company turned out to have been a government front run by the U.S. Customs Service.

Arrested Dec. 28 were the broker, Stephen G. Carter of Falatine, Ill.; Paul Sakwa of Washington, an inventor and researcher; and Jerry F. McCall, a Toronto baker and businessman. On Jan. 4, they were charged in an 11-count indictment with conspiracy to violate U.S. export laws. They are to go to trial March 1.

If convicted, they could face up to 45 years in prison and/or substantial fines.

"These individuals are sophisticated people," Mr. Aronica told U.S. District Judge James C. Caheris at a Dec. 30 bond hearing. At that hearing, the judge reduced the trio's bonds to \$10,000 from \$100,000 and released them on personal recognizance.

"They knew what they were doing," Mr. Aronica said in court. "They intended to violate the laws of the United States."

The three men say they were simply trying to sell the line f.o.b. (as is) at the Detroit warehouse and that it would have been up to the buyer to export it. They say they were doing nothing unlawful.

In legal papers, they accuse the government of engaging "in a pervasive and continuous pattern of...outrageous conduct (and)...intentional lies and deceit whose object was to ensnare the defendants into conduct which the government could later claim was illegal."

The story of the assembly line itself begins in 1975 when the Soviet Union let bids for construction of a diesel-engine assembly line for the Kama River Truck Complex. Ingersoll-Rand was awarded the contract and later shipped the line.

The Soviets approached Ingersoll-Rand again in 1978 and contracted for a second, identical line. Ingersoll-Rand sought and received assurances from the Carter administration that the line did not involve restricted technology and, therefore, could be exported without a special license.

Then things started to change, according to a July 7, 1980, statement Ingersoll-Rand submitted to the Commerce Department.

In May 1979, news accounts said "that closed hearings before the House Armed Services Committee had indicated that some of the engines produced at the Kama River complex were being used in vehicles which may have incidentally supported the Soviet Union's military establishment," Ingersoll-Rand's current president, David C. Garfield, told the Commerce Department.

Then on May 6, 1980, a few days before the line was to be shipped and months after the Soviet Union had invaded Afghanistan, the Commerce Department decided to

require a "validated" license be obtained to export such an assembly line and announced a policy generally to deny an application for such a license.

Ingersoll-Rand argued in the 1980 statement to the Commerce Commission that the Soviets could have built the line themselves from blueprints supplied with the first line. It said the Soviets contracted with Ingersoll-Rand only to save money.

It cited as proof the CIA's own 1979 study, which the manufacturer says concluded that "if the U.S.S.R. has turned to the West, it is mainly for economic not technological reasons."

Ingersoll-Rand called the line a "one-of-a-kind, limited-use item," which it argued in 1980 would be "unmarketable" to anyone other than the Soviets.

"The assembly line involved is a specialized product having no application other than as an assembly line for the Kama River complex," Ingersoll-Rand concluded in its 1980 statement to the Commerce Department. "Because the technology is outdated and the Soviet requirement unique, Ingersoll-Rand cannot expect that there will be any other market for this product."

When it became clear the government, especially under the Reagan administration, would not relent on the restrictions, Ingersoll-Rand filed a claim with National Union, which paid the claim and took possession of the line.

"There was a bill of sale which actually transferred title," recalls Robert T. Boyd, secretary and managing attorney at Ingersoll-Rand. He says the insurance was not intended to cover lost profits, so the amount collected was less than the line's \$8.6 million estimated value. Neither AIG nor Ingersoll-Rand would confirm the actual size of the claim but Mr. Boyd said it was at least \$5 million.

Since the claim and transfer of title in 1981, he says, Ingersoll-Rand has had no further interest in the line.

Sometime after the claim was paid—the court documents don't indicate exactly when and AIG declines comment—the insurer made an agreement with Mr. Carter giving him an option to sell the line until the end of November 1982.

In wiretapped conversations with customs agents, Mr. Carter describes the agreement as an 11-page

telex. AIG says the agreement has been given to the government and the government declines to release it.

The transcript of one monitored conversation allegedly reveals Mr. Carter telling an undercover customs agent about his arrangements with AIG.

"It was produced by Ingersoll-Rand and an insurance company had to pay off when it couldn't be shipped, ah, and they're paid off and under their subrogating rights we're in there and we got agreements with them, ah, that we have it buttoned down until, ah, Dec. 1, and we can get extensions on that."

Mr. Carter's lawyers, which include the Chicago firm of Jenner & Block, argue that the transcripts of the wiretapped conversations show Mr. Carter repeatedly telling undercover customs agents he would sell the line f.o.b.

"What we're doing is we're offering that product up in the Detroit warehouse f.o.b. And we'll guarantee that it's what it says it is and we'll put up a performance bond of a quarter of a million dollars," Mr. Carter allegedly says in one conversation monitored during October by the custom agents and filed by defense lawyers.

"... (W)e do not want to get involved in anything other than selling it to an intermediary who, whatever he does with it, we could care less. But the buying, ultimate receiving country, which would be Russia, has to have someone sitting out there trying to buy this equipment," the transcript continues.

The recording goes on: "... We're willing to sell it to those people and then walk away from the transaction. What happens to it and how it gets to where it should go we don't want to be involved in it. Because we don't do anything that's not up, upfront. You know what I mean?"

The transcript indicates that Mr. Carter wanted to sell the line for \$5 million, and would offer a \$500,000 commission on the sale to the undercover government customs agent, who was pretending to represent the French intermediary company.

In another conversation, Mr. Carter allegedly discusses Mr. McCall's Toronto connections and also says the undercover customs agents should give to representatives of the fictitious French company a copy of the 11-page telex describing the line.

"... McCall's got a consular-level, ambassador-level guy, uh, from, from Russia that's up there and he, he, in that country and he's talked to him because of other grain transactions. You know what I mean. It's not illegal for Canadians to sell them anything. You know what I mean."

Court papers also round out the backgrounds and connections between Messrs. Carter, Sakwa and McCall:

• Mr. Carter was owner and president of Performance Sales & Marketing Inc., a commodity trading company he operates from his home with 56 associates around the world. He also has held management positions with Beatrice Foods Co., Champion International Corp. and Owens-Illinois Inc. and is vice chairman of the export development committee of the State of Illinois Chamber of Commerce.

• Mr. Sakwa was an alleged marketing associate of Mr. Carter and is described by lawyers as a principal founder of Amnesty International, the world-wide humanitarian organization.

Mr. Sakwa worked for a decade for the CIA as an operative in Brussels, as chief of covert operations in Vietnam and as special assistant to the deputy director of operations. He left the agency in 1962.

In one monitored conversation, an undercover customs agent is recorded as having described Mr. Sakwa as "the instrumental man in putting this together." Details of Mr. Sakwa's role have yet to emerge.

Mr. Sakwa made headlines in 1973 when he opposed President Nixon's choice of William E. Colby to head the CIA, criticizing Mr. Colby's performance as CIA station chief in Saigon in the early 1960s.

• Mr. McCall is a baker and director of Breadman International Corp., whose subsidiary Tiffany's Bakeries operates a chain of bakeries located in shopping malls throughout the United States.

Lawyers say Mr. McCall has been active in bakery trade associations in Canada and prepared a wedding cake representing Canada for the royal wedding of Britain's Prince Charles and Princess Diana.

Mr. McCall is accused of having discussed the engine assembly line with a contact in the Soviet consulate in Toronto. His attorneys say there was nothing illegal about his actions and that he cannot be charged with violating U.S. law. ■

## BROKERAGE FIRM WANTED

Seeking to acquire general lines firm with commission income between \$250,000 and \$1,000,000; located in Metropolitan New York area. All replies in strict confidence.

Principals only

Box 545,  
BUSINESS INSURANCE  
740 Rush St. Chicago, Ill. 60611

# The Wetzel Company, Inc. Excess and Surplus Lines Reinsurance, Treaty and Facultative



Only through  
Agents, Brokers &  
Insurance Companies

P.O. Box 66452  
Houston, Texas 77006  
713/523-3003 Telex: 76-2053

## Court awards seaman \$25.8 million

HOUSTON—A shipping company based in the Cayman Islands must pay \$25.8 million to a Mexican seaman burned in an explosion aboard a ship, a court has ruled.

The award may be the largest personal injury award ever by a U.S. court that did not involve punitive damages.

The decision by U.S. District Judge Woodrow Seals involves Tracey Navigation Co. Ltd., a company based on Grand Cayman predominantly owned by Houston businessmen.

Attorneys representing Gonzalo Sosa, a Mexican national who was completely incapacitated by the explosion aboard the freighter Lago Izabal in the Houston Ship Channel, said depositions taken in the case revealed that Tracey Navigation carried only \$10 million in liability coverage.

Stevens F. Mafrige, a Houston attorney representing Mr. Sosa, said pre-trial depositions showed that Oceanis Mutual Underwriters (Bahamas) Ltd. had underwritten \$5 million in primary coverage for Tracey Navigation and Arkwright-

Boston Manufacturers Mutual Insurance Co. wrote \$5 million in excess coverage. Both companies refused comment.

Physicians testified that Mr. Sosa will need around-the-clock care for the rest of his life. He has completely lost the use of his hands.

Judge Seals' decision took into account that Mr. Sosa would probably have received promotions during his working life, including higher rates of pay than the \$350 a week he was earning at the time of the accident.

James Ross, attorney for Oceanis Mutual, fought the Sosa claim on jurisdictional grounds, saying that because the vessel was registered in Grand Cayman and used Mexico as its home port, the U.S. courts lacked authority to hear the case.

But Judge Seals ruled in December that despite the ship's registration and claims that it was based in a foreign nation, "The Court finds that the base of operations of the M/V Lago Izabal was in Houston."

The judge said that Tracey Navigation used a Houston bank for making payment on employees' sa-

laries and more than 90% of the stockholders were U.S. residents, giving the U.S. courts jurisdiction.

Mr. Mafrige said he chose to sue Tracey Navigation under admiralty law rather than trying to prove negligence. Under provisions of admiralty law, the defendants were not entitled to a jury trial and the plaintiff merely had to prove unseaworthiness of the vessel to be entitled to damages.

Mr. Mafrige said although he will try to collect \$10 million from insurers and reinsurers, he will also try "to pierce the corporate veil" of Tracey Navigation to enable Mr. Sosa to hold the company's stockholders liable for the uninsured portion of the settlement.

The largest parts of the award were a \$10 million verdict for Mr. Sosa's pain and suffering; \$2.6 million in pre-judgment interest computed at a rate of 9% from the date of injury to the date of judgment; and \$10.9 million for future annual expenses, including nursing care.

Mr. Ross, Oceanis Mutual's attorney, has filed a notice of intent to appeal Judge Seals' award. ■

# Kentucky issues risk retention rules

Continued from page 2  
its agent for process service and receipt of legal documents.

• A non-Kentucky-based risk retention group also must file a copy of the last examination, if any, made by its domicile's insurance supervisory official. It also must give the Insurance Department a copy of the annual statement it filed in its chartering state.

In addition, risk retention groups domiciled in Bermuda or the Cayman Islands will have to give Kentucky a copy of an approved certification from at least one state noting that it meets that state's insurance capitalization requirement.

That filing requirement follows the federal act, which says that an offshore risk retention group must meet the capitalization requirement of at least one state before it can operate in the United States.

Kentucky's rules have steered away from the most recent controversy surrounding the Risk Retention Act.

In December, the National Assn. of Insurance Commissioners adopted a model law that restricts a risk retention group to covering only those product liability risks that are recognized as such by the laws of the state in which it is chartered (BI, Dec. 6, 1982).

For example, in Delaware, Insurance Commissioner David Elliott says he can't certify a captive set up by a homebuilders' association because the risks the captive is insuring don't fit the state's definition of product liability (BI, June 28, 1982).

However, legal experts have said the definition of product liability contained in the Risk Retention Act pre-empts any state definition. The federal definition—which

includes liability for damages from any personal injury, death, consequential economic damage or property damage—was made deliberately broad to protect pool members if the courts later expanded liability, according to experts.

Kentucky, though, hasn't raised the states' rights issue. It is willing to accept risk retention groups as long as they cover product liability risks as defined by the federal act, according to Patrick Watts, counsel for the Insurance Department.

Like the federal act, Kentucky's rules specify that risk retention groups can only provide product liability and completed operations coverage for member/owners, not for the general public.

In addition, risk retention groups cannot operate without first obtaining a certificate of authority from the state Insurance Department. ■

# CARRIER WANTED

MANAGING GENERAL AGENT PRESENTLY WRITING IN MULTIPLE STATES NEEDS ANOTHER TOP RATED CARRIER TO PARTICIPATE IN OUR PREFERRED SMP PROGRAM. LARGE VOLUME GUARANTEED FIRST YEAR.

CONTACT:

James A. Julian

**D. R. MERTENS, INC.**

Managing General Agents

Glendale Federal Building

1601 East Oakland Park Blvd.

Fort Lauderdale, Florida 33334

305-563-7500

# Piper to appeal damage award

Continued from page 2

The award is unusual for a general aviation accident, both because of its size and because it included awards of \$500,000 per person for the "mental anguish" suffered by the plane's occupants between the time the plane broke up at 11,000 feet and it hit the ground.

"There's no evidence that the people were conscious at all after that breakup occurred," says Beale Dean of the Fort Worth law firm of Brown, Herman, Scott, Dean & Miles, which represented Piper.

"We really feel very confident that this will be set aside," says Joseph J. Asselta, a partner in the New York law firm of Mendes & Mount, which monitors U.S. litigation involving Lloyd's underwriters. Mr. Asselta said he feels the Texas trial judge misinterpreted state law on a number of points, but he would not elaborate until an appeal is filed.

The award Jan. 12 by a Tarrant County District Court jury stems from a Feb. 22, 1977, crash of a Piper Navajo model PA31-310 in Arkansas. The plane was carrying four World Service Life Insurance Co. executives and a pilot on a flight from Fort Worth's Meacham Field to Chicago.

Plaintiffs' lawyers alleged that pieces of a tail section of the twin-turboprop aircraft came off during flight, sending the aircraft into an uncontrollable flutter that eventually tore off the entire tail section. After the loss of the tail section, the nose would have pitched violently down and the wings would have torn off.

Piper argued instead that faulty maintenance led to the corrosion failure of a jackscrew in the aileron trim-tab assembly on the wings, causing the aircraft to break apart.

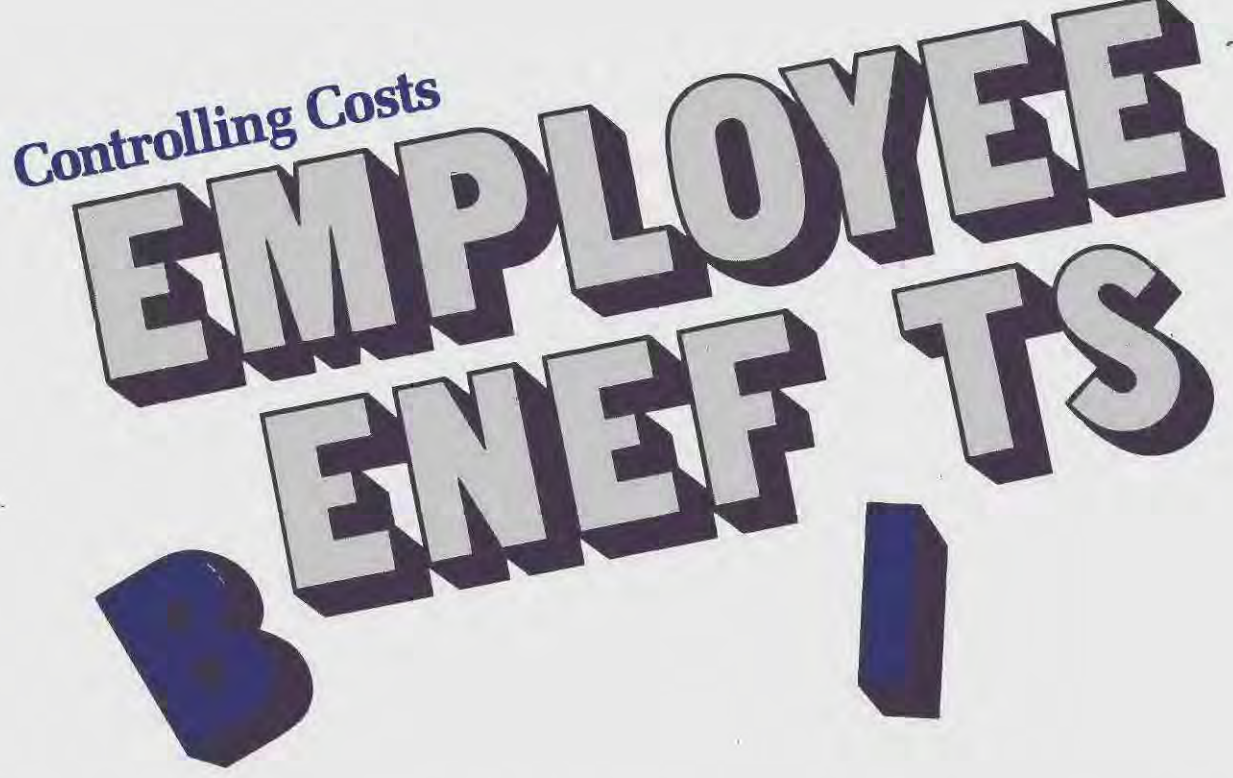
However, the jury specifically rejected Piper's argument and concluded instead that the tail section was not "able to withstand the intended and reasonably foreseeable forces to which (it was) subjected while the aircraft was in flight."

The insurance executives killed in the crash were Jimmy K. Fulkerson, 35; Fabe Ingram, 42; James L. Ward Jr., 35; and H. Reed Yowell, 34. The pilot was Nancy L. Barrett.

The jury awarded a total of \$2.16 million to the Fulkerson family, \$2.10 million to the Ingram family; \$2.28 million to the Ward family; \$2.24 million to the Yowell family. The pilot's husband and estate were awarded \$852,000.

Piper is a subsidiary of Bangor Punta Corp. of Greenwich, Conn. Its 1981 revenues were approximately \$446.7 million. ■

## Buyers know that the employee benefits picture isn't complete without BI...



### ...Reach the buyers on March 14

On March 14 *Business Insurance* will publish an important feature issue, Employee Benefits: Controlling Costs. Buyers of employee benefits and related services will count on this issue to help them face a tough challenge: to meet the responsibilities of caring for personnel in a time of rapidly rising benefits costs.

If you want to reach these influential buyers, BI is the place to be. 71% of respondents in a recent BI reader survey are responsible

for purchasing employee benefits; 52% are responsible for purchasing employee benefits services.

Your ad will reach these buyers, who are among BI's distinguished audience of more than 115,000\* decision-makers.

**AD CLOSING: MARCH 1.**

To reserve your space, call one of the sales offices listed below. Take advantage of these outstanding advertiser benefits.



A Publication of Crain Communications Inc.

\*Including Pass-along.

New York: 220 East 42nd St., NY 10017 (212) 210-0133 Chicago: 740 Rush St., IL 60611 (312) 649-5275  
Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

# Insurer to pay some claims left by MET

Continued from page 3

In a letter to Mr. Dorais, Mr. Karma also wrote: "There was no contract between our client, Security Assurance Co. and American Benefits Trust or any of its affiliates, associates. . ."

Mr. Karma said that "certain express conditions" had to be met before there was a contract between the insurer and the trust. These conditions included obtaining all necessary governmental approvals, the licensing of agents by an officer of Security Assurance and an agreement in writing by both parties.

On Sept. 23, Security learned that American had made misrepresentations during negotiations, according to Mr. Karma's letter. "Since none of the aforementioned conditions. . . had been met, when (Security) learned of the misrepresentations it took the appropriate step of terminating the negotiations with ABT," according to Mr. Karma.

On Sept. 27, just four days after Security says it terminated negotiations with American, the trust was placed into receivership by a Los Angeles Superior Court judge.

However, Mr. Dorais says the alleged misrepresentations by American officials are irrelevant to "innocent third parties who relied on direct communications from Security Assurance Co. personnel that coverage was in effect," Mr. Dorais said.

Mr. Dorais is winning support for his claim that Security supplied coverage to the trust. Late last month, Lawrence Diamant, a Los Angeles attorney and the trustee appointed to liquidate the trust,

**'Based on what we have seen, the premium receipts (generated by American) were less than necessary to cover claims and administrative expenses,' said Mr. Diamant, the MET's bankruptcy trustee.**

asked a U.S. Bankruptcy Court to recognize Security's liability for the MET's claims for the period between Aug. 1 and Sept. 30.

As the court decides whether Security insured American during its final months of operation, more details about the ill-fated MET are coming to light.

When American began operations as a self-funded MET in March 1979, it filed with the Labor Department as an employee benefit health plan covered under the Employee Retirement Income Security Act.

As an employee benefit plan, self-funded METs claim they are exempt from state regulation. The Labor Department, though, never has set standards for METs, allowing the trusts to operate in a regulatory vacuum until recently (BI, Dec. 27, 1982). Some state regulators did try to shut down self-funded METs as unauthorized insurers, but these actions often got bogged down in the courts.

Because there was little or no regulation, third-party administrators, who often had an insurance sales background, set up trusts. Cut-rate premiums were often charged to attract small employers seeking relief from the high rates charged by commercial health in-

surers.

These small employers and their insurance agents often lack the sophistication to know whether the rates charged by a trust are actuarially sound and if the MET is fully insured by a licensed commercial insurer to protect against bankruptcy.

The trust, though, did obtain some insurance coverage. For example, until April 4, 1982, the MET purchased excess coverage from Lexington Insurance Co., an excess/surplus lines insurer owned by American International Group Inc. The Lexington policy, though, only covered claims exceeding \$25,000.

Despite its lack of full coverage, the trust quickly grew. In its 1979 financial report filed with the Labor Department, American said it had attracted 1,027 participants and contributions of \$649,000.

At the time it failed in September, American had 70,000 policyholders. Its monthly premium flow ranged from between \$2.5 million and \$4 million.

Much of the trust's growth was due to the fact that its rates were considerably lower than those charged by commercial insurers and fully insured trusts offering comparable coverage.

But those low rates eventually caught up with the trust. "It was strictly a cash-flow operation," one state investigator told *Business Insurance* last year. "Reserves weren't established to pay for future claims. That can only lead to trouble" (BI, Oct. 4, 1982).

"Based on what we have seen, the premium receipts were less than necessary to cover claims and administrative expenses," said Mr. Diamant, the MET's bankruptcy trustee.

## Bermuda's premier wins mandate

HAMILTON, Bermuda—Premier John Swann and his United Bermuda Party were returned to power Feb. 3 in a general election that inflicted unprecedented losses on the opposition Progressive Labor Party.

The UBP added four extra parliamentary seats to the 22 they already held in the 40-seat House of Assembly, thus reducing the PLP's minority to 14 seats.

It was the first time the PLP had lost seats in an election since the advent of party politics in 1968. But, that was exactly what Mr. Swann had hoped to achieve when he called the island's 30,000 voters to the polls.

Mr. Swann assumed control of the government when he replaced David Gibbons, now the island's finance minister, just more than a

year ago.

The prime minister has been increasingly anxious to establish his own popularity as leader of this self-governing British colony.

That Mr. Swann not only re-established the UBP's grip on the island for another five-year term but also managed to regain the losses the party suffered in recent elections has been interpreted as one of the clearest mandates ever given to a Bermudan government.

The PLP blamed its defeat on poor voter registration. More than 1,200 fewer voters were registered for last week's election than for the 1980 polling. Almost 81% of the eligible electorate turned out to vote.

In the election, the UBP captured an estimated 57% of the popular vote.

However, the party's victory cel-

ebrations, which began a few hours after the polls closed, were short-lived.

The government announced Feb. 5, just two days after the election, that Bermuda's governor, Sir Richard Posnett, had been recalled to London because of alleged irregularities in his expenses.

Although this sudden decision comes just a week before a scheduled visit by Queen Elizabeth II and has cut short the UBP's euphoria, many insurers here are relieved that Bermuda's ruling party will remain in office.

The UBP's five-year mandate is regarded as good news for a Bermuda insurance industry that has been hit by the withdrawal of several companies from the market and underwriting cutbacks and layoffs at others.

## classified advertising

### RATES AND CLOSING TIME:

Rates: Display classified is \$60.00 per column inch, minimum of one inch. Straight classified is \$5.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$11.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to: Emily Webb, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

### Business Insurance

#### Circulation Breakdown\*

#### Commercial Consumers

Administrative Management: owners, presidents, vps, etc. 6,483

Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc. 10,138

Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc. 5,299

Government, Associations, Unions, Educational Institutions 1,034

Commercial Consumers Sub-total 22,954

Insurance Agents & Brokers 9,771

Insurance Cos. 5,217

Financial Institutions 352

Actuaries, Attorneys, Adjusters, Appraisers & Consultants 2,603

Others allied to the field 937

**TOTAL 41,834**

\*Source Business/Occupational breakdown of qualified circulation, November 1, 1982 issue, as submitted to BPA for December 1982, BPA Publisher's Statement.

### POSITIONS WANTED

Experienced broker with broad background including large commercial account handling as well as international reinsurance experience interested in suitable position—NYC area.

**Box 539, BUSINESS INSURANCE 740 Rush St. Chicago, Ill. 60611**

### POSITIONS AVAILABLE

#### SALES ADMINISTRATOR

N.H. Agency seeking person with proven Property/Casualty new account sales ability. Will be responsible for development of sales staff and general office administration. Send resume in confidence to Box 546, Business Insurance, 740 Rush St., Chicago, IL 60611

#### SALES MANAGEMENT

A leading and reputable SUNBELT agency is seeking person to head their multi-million dollar branch office. Will be responsible for 20-person plus commercial sales force throughout SUNBELT. Must have proven sales management experience at agency/brokerage level. Superb situation allowing for continued vertical growth with this dynamic firm. Comfortable starting salary in the \$60,000++ range. Contact Insurance Recruiters, Inc. 3707 Rawlins, #416, Dallas. 214-528-0090.

### RISK MANAGER POSITION WANTED

8 years' experience managing multi-million \$ corporate insurance program for worldwide coverage. Self motivator. Excellent analytical and organizational skills.

**Box 517, BUSINESS INSURANCE 740 Rush St., Chicago, Ill. 60611**

### Position Wanted Risk Management

11 yrs. carrier and brokerage experience. Property and Casualty Claims background. Managed large nat'l non-profit account. Will relocate.

6101 N. Sheridan Rd. #F1 Chicago, IL 60660 312-743-8729

### PROFESSIONAL INSURANCE COORDINATOR UNIVERSITY OF FLORIDA

The University of Florida's J. Hillis Miller Health Center Insurance Trust Fund invites applications for the position of Professional Insurance Coordinator. The Insurance Trust Fund provides professional and general liability insurance protection for the colleges of the J. Hillis Miller Health Center and its affiliated hospital. The position is responsible for the management of professional and general liability claims at the University of Florida's J. Hillis Miller Health Center and the University of South Florida Medical Center. This position reports directly to the Trust Fund Administrator. Requires bachelor's degree from an accredited institution plus a minimum five years experience in claims management related to medical professional liability. Applicants with an equivalent combination of education and experience will also be considered, provided credentials include at least a bachelor's degree. Minimum salary is \$22,140 and is negotiable. Liberal fringe benefits are provided. Deadline for application is March 10, 1983. Candidates should send resume and letter of application to:

Mr. George P. Bradley  
Employment Manager  
337 Stadium  
University of Florida  
Gainesville, FL 32611

UNIVERSITY POLICY IS TO CONDUCT ALL SEARCHES IN THE OPEN, SUBJECT TO THE PROVISIONS OF EXISTING LAW.  
EQUAL EMPLOYMENT OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

## VICE PRESIDENT Reinsurance

One of American Hospital Association's subsidiaries, Health Providers Insurance Company is currently seeking an individual to take responsibility for achieving established profitability levels; increasing the reinsurance and medical malpractice insurance market share; investigating and developing reinsurance and malpractice programs; as well as other directly related activities.

Ideally qualified candidates will be degreed and have extensive experience with reinsurance and malpractice insurance company, excess coverage company or reinsurance or malpractice insurance intermediary or broker. Background should include 3-5 years of proven sales and marketing skills with reinsurance, malpractice insurance or excess casualty insurance coverage to primary carriers, intermediaries and brokers. A thorough knowledge of reinsurance and malpractice insurance contracts necessary.

The American Hospital Association offers a generous salary/benefits package and an excellent opportunity for personal and professional growth. Qualified candidates are encouraged to forward resume and salary information to:

American Hospital Association  
Calvin Gilbert  
840 N. Lake Shore Drive  
Chicago, IL 60611

### American Hospital Association



An Affirmative Action/  
Equal Opportunity Employer M/F/H

# Punitive claims worry manufacturers

Continued from page 1

All of these higher costs force companies to raise the cost of consumer products without necessarily making them safer, defense attorneys contend.

The indictment of punitive damages by these attorneys follows an unprecedented increase in the frequency and size of punitive damage awards in product liability cases in the past decade.

As recently as six years ago, there were only three product liability cases in which punitive damage awards were upheld on appeal, and the largest award was for \$250,000.

Today, however, more juries are awarding punitive damages on the trial level and these awards are being upheld much more frequently on appeal.

There are few hard statistics available on the growth of punitive damages, but according to one estimate, there have been a minimum of 50 product liability cases where punitive damages have been awarded at the trial level (most since the late 1970s), and between 15 and 20 of those have been affirmed on appeal.

Moreover, the awards are often reaching into the millions of dollars.

Perhaps the most egregious example is the \$125 million punitive damage award against Ford Motor Co. in 1978 involving the Ford Pinto. That award was subsequently reduced to \$3.5 million and then settled out of court for \$7.5 million (BI, Jan. 17).

Since then, numerous awards have reached into the millions of dollars. They include:

- A \$5 million verdict against Honda Motor Co. Ltd. in a case involving a traffic collision that was upheld in a 1981 appellate court decision.

- A \$6.2 million trial court verdict against A.H. Robins Co. Inc. in a case involving the Dalkon Shield, an intrauterine device. It is now on appeal.

- A \$15 million verdict against International Harvester Co., subsequently reduced to \$7.5 million, involving the design of a tractor's gasoline fuel system. The 1979 trial court decision was recently upheld by a state appellate court and is now on appeal to the Illinois Supreme Court.

- A \$10 million trial court verdict in December 1982 against Johnson & Johnson involving the manufacture of a tampon linked to toxic shock syndrome. It has been appealed.

"Each year there are more large judgments," says David G. Owen, a professor at the University of South Carolina Law School who has studied and written about punitive damages.

It's such a recent phenomenon of very large awards handed down that there is a very real concern that the trend will continue, he says.

Besides the increase in the size of awards, punitive damages are being sought more often in complaints against companies.

Punitive damage claims against Ford Motor Co., for example, rose to 27.1% of all product liability claims filed against it in 1980 from 5.4% in 1975.

"Certainly, the number of punitive damage claims is on the increase and increasing at a very significant rate compared with five years ago," says John Eppel, an associate counsel for Ford. They have become almost a standard part of a plaintiff's complaint, he added.

"There's no question there are more cases where punitive damages are being sought, especially in product liability," agrees Professor John J. Kircher of Marquette University Law School in Milwaukee.

Most vulnerable to this increase in claims and awards are companies that manufacture products that have been used by thousands or millions of individuals. These companies can be sued again and again for the same product.

Attorneys for these companies, which include automobile and drug manufacturers, say the courts have not adequately dealt with the question of punitive damages in mass-litigation cases and that continuing to award them could bankrupt some companies.

So far, no one can point to a business that has gone broke specifically because of punitive damage awards.

But, several attorneys point out that punitive damages may have been a major factor in forcing Manville Corp. to file a Chapter 11 reorganization petition in U.S. Bankruptcy Court.

Manville, which is facing 16,500 claims from victims of asbestos-related diseases, has been assessed more than \$6 million in punitive damages in various asbestos trials.

More than 1,600 suits have been filed against A.H. Robins, in which Dalkon Shield plaintiffs have sought more than \$2.3 billion in punitive damages alone, despite the fact the corporation's net worth is \$280 million. Unlike Manville, however, the lawsuits have not pushed Robins into any bankruptcy proceedings.

To date, Robins has won 10 and lost six of the 16 cases it has taken to court. In three of those cases, it was hit with punitive damages of \$75,000, \$1 million (subsequently reduced to \$500,000) and \$6.2 million. It paid the \$75,000 judgment and is appealing the others.

**The greatest danger** of punitive damages is when they are applied in the mass-tort environment, says W.A. Forrest, Robins' general counsel. "The award of substantial dollars will present financial problems for big and small companies."

Even without the threat of bankruptcy, punitive damages—whether they are actually awarded or just defended—significantly add to the cost of doing business.

There's no question that when a demand is made on a company for several million dollars in punitive damages, the cost of reacting to requests for information and searching for

documents will be substantial, says Lawrence H. Curtis, senior counsel for Firestone Tire & Rubber Co. in Akron, Ohio.

"It's much, much more expensive than for litigation without punitive damages. It will cost as much as 25% to 50% more to defend the punitive damage claim."

Many times defendants are forced by plaintiffs to go through a massive number of memos and documents dating back many years as plaintiffs attempt to implicate corporate personnel with outrageous conduct.

To defend attacks like these properly, senior and technical managers must get involved. Valuable hours that should be devoted to running the company must be devoted to depositions and other discovery procedures.

"The company is forced to expend an inordinate amount of time and money," says an attorney for a major automobile manufacturer. "It takes a lot of time away from top management."

Hundreds of thousands and even millions of documents have to be searched for and examined.

Concomitant with the higher administrative costs, companies also have to pay additional legal fees to their outside attorneys to defend against a punitive damage claim.

It might add a half-day to a trial as companies seek to explain away documents that plaintiff's attorneys unwarrantably focus upon to prove outrageous behavior, one attorney said.

**Punitive damages** also seriously interfere with business planning. Because companies don't expect them and because their amount and frequency vary greatly, punitive damages can't be assessed in advance or planned for financially.

Lawsuits that only seek compensatory damages are considered a business risk and can be planned for, says Mr. Parnell, Manville's outside counsel. "It's a pretty finite risk," and companies are able to estimate what the cost will be.

With punitive damages, however, awards might range from zero to \$10 million. "How do you evaluate that claim?" Mr. Parnell asks.

"They're unpredictable," adds Mr. Curtis of Firestone.

With compensatory damages, a company can estimate a contingent liability and the company can reserve that amount, he points out.

But from an accounting standpoint, a company facing punitive damages doesn't know if liability will be incurred or how much it will be. It has no way to estimate or reserve for it.

"Companies can't deal with them from a financial planning standpoint," he concludes, adding that punitive damages really are just a windfall for plaintiffs' attorneys who collect fees based on the size of the award.

Punitive damages are "the one aspect of

the U.S. legal system that members of other legal systems laugh at," he adds.

Companies also can incur additional costs in the form of higher premiums for insurance or increases in their self-insured retention, say some attorneys.

While most states prohibit insurance coverage for punitive damages, they can be "a contributing factor to higher insurance premiums" because they drive up settlement costs that do affect insurance costs, says Mr. Forrest of A.H. Robins.

Professor Owen says that a company in a mass-tort situation facing 500 to 600 cases would likely pay more in settlements to avoid paying punitive damages repeatedly.

Even a very small risk of punitive damages would hike up settlement costs, he says. If the company considers the likelihood of dangerous memos falling into the hands of plaintiffs' attorneys during court procedures, the risk becomes even greater.

If companies know their insurer won't pay punitive damages, they have an added incentive to settle to avoid labeling any of the award as punitive.

A company might agree to settle a case based on what the plaintiff wants—even if it is significantly higher than the case is worth—to avoid trial and at the same time make sure that its insurer picks up the tab, the attorney said.

"I don't think there is any question that plaintiffs' attorneys use punitive damages as a club (in settlement negotiations)," an attorney for a major insurance company added. "In general, punitive damages drive up the cost of compensatory claims. There's no question plaintiffs' attorneys try to do it."

And, if insurers are paying out more in settlements, the buyer eventually will pay for it.

Mr. Curtis of Firestone says insurance companies may not exact higher premiums but do want to isolate themselves further from the risk of paying punitive damage awards.

Excess insurers, for example, might want self-insured companies to increase their self-insured retention or provide a buffer layer between the self-insurance and excess insurance, he says.

"Thus, premiums flowing to insurers are not necessarily higher, but the risk borne by the company is greater."

Punitive damages also make plaintiffs' attorneys less willing to settle cases, defense attorneys say. Several said unsophisticated plaintiffs' attorneys especially refuse to settle appropriate cases because they think they can get large punitive damage awards.

In the end, the additional legal, administrative and insurance costs created by punitive claims result in the higher cost of the products, the attorneys contend.

"And if the cost can't be passed onto customers in the long run, it must be borne by businesses and hinders development or capital expenditures for new factories and new jobs," says Mr. Curtis of Firestone.

## Claims boom not causing insurers to hike rates

The growing number of punitive damage awards is not prompting insurers to increase rates or exclude coverage for them.

But some say underwriters have been watching the trend in punitive damages, and at least one insurer, Aetna Casualty & Surety Co., has assigned a task force to study the issue.

At the same time, risk managers apparently aren't demanding very often that coverage for punitive damages be included in policies, insurers say. But, at least one law professor believes buyers should.

Insurance for punitive damages is particularly thorny since state laws allowing or prohibiting coverage for such awards vary. Some states say punitive damages are not insurable because they violate public policy, while others say they are insurable under the terms of the insurance contract.

In addition, some states allow coverage only under certain circumstances, such as when an employee, independent of his employer, causes harm that results in a punitive damages award against the employer.

A recent study by the Chicago law firm of Peterson, Ross, Schloerb & Seidel found that 22 states generally permit coverage for punitive damages, 20 prohibit coverage and eight are undecided.

Thus, even if a company is insured, it

doesn't mean it will be indemnified for a punitive damages award.

Most insurers say their policies are silent on punitive damages but that they will pay in jurisdictions where coverage does not violate public policy.

The insurance industry attempted to exclude punitive damages from coverage in 1977, but it failed after some insurance commissioners, underwriters and many buyers opposed the move.

And, it doesn't appear insurers are trying to run from punitive damages now.

"The general feeling seems to be that punitive damage awards are increasing in number and severity," says Richard A. Schmalz, general counsel for Hartford Insurance Group.

If that trend continues, one possibility could be higher rates, but, in general, underwriters want to stay with policyholders and protect them against loss, Mr. Schmalz said.

"Companies will generally stay with covering punitive damages on some reasonable basis," he adds. "However, some areas might find some exclusions."

These include toxic waste and other environmental liability areas. "In these specialized areas, you will find exclusions" for punitive damages, fines and penalties, Mr.

Schmalz said.

A spokesman for a major insurer who asked not to be identified agreed punitive damages are not a major factor now in determining rates, but they could have an effect if punitive awards continue to increase.

If a company appears susceptible to punitive or increased compensatory damage awards, it will be reflected in the cost of its coverage.

Policies with large compensatory and punitive risks will be written more protectively, with, for example, higher deductibles, the spokesman added.

Part of the reason insurers aren't excluding punitive damages is because there is little data on the actual impact of punitive damages, says Tom Jackson, secretary in The Travelers Insurance Co.'s field marketing division.

Mr. Jackson says that an insurer will look at the quality of management of a risk when determining the cost of coverage. Even if a company has been ordered to pay punitive damages, that doesn't mean its insurance premiums will go up.

The insurer will look at the company's response toward the award and its attitude toward product control, design or recall.

Price increases can be factored in if there is a larger possibility for punitive damages, but

beyond that there must be a qualitative evaluation of management, Mr. Jackson says.

Moreover, even if punitive damages have been awarded against a company, it doesn't mean the insurer will agree with the jury, he adds, noting that the company may have been held to a standard of conduct it can't possibly meet.

Ultimately, the insurer's major concern is the probability of suffering a large loss, whether it is compensatory or punitive, and management's attitude and response to that risk and its control. Punitive damages are just one aspect of that, Mr. Jackson says.

He adds that risk managers now may seek less often to have punitive damage clauses written into their insurance contract because they know insurers are in general willing to cover such losses. But one law professor urges buyers to get a punitive damage provision in their policies anyway.

Attorneys for major companies should insist that punitive damage coverage be provided in the policy, said Malcolm E. Wheeler, a professor of law at the University of Kansas.

"I think one sentence is worth it for clarification," he explained.

Mr. Wheeler said that companies have enough to worry about without having to possibly litigate the issue of coverage for punitive damages.

# Some say punitive awards do more harm than good

By STEPHEN TARNOFF

Punitive damages do more harm than good to business, consumers and the legal system, many legal experts say.

While punitive damages are designed to punish and deter businesses from outrageous or reckless behavior, many attorneys say they are not a deterrent.

They also are awarded haphazardly, hold companies to an unfair standard of conduct and degenerate trials into political battles that have little to do with the evidence presented, the attorneys add.

"There is a question as to whether punitive damages have a real deterrent effect in many situations," points out Professor John J. Kircher of Marquette University Law School.

"There are many instances where the deterrence message is pretty unclear," he explains.

Individuals generally know if they are committing a crime, but it is more difficult to determine if they are involved in conduct where punitive damages may be awarded, Professor Kircher adds.

**John Eppel**, associate counsel for Ford Motor Co. in Dearborn, Mich., says it's hard to measure if punitive damages are a deterrent.

But Mr. Eppel, who believes there is a place in the legal system for punitive damages, says standards are so vague and nebulous in different states that manufacturers can't tell what course of conduct they should conform to.

"They (the standards) are so ill-defined, so unpredictable, that it is a crapshoot," he comments.

Several corporate attorneys point out that products are safer now than they were in the past, but they say societal forces other than punitive damages are responsible for the changes.

"I don't think (punitive damages) are a deterrent," comments Lawrence H. Curtis, senior counsel for Firestone Tire & Rubber Co. of Akron, Ohio.

"It (the move toward safer products) works independently of the legal system. I work closely with the development department

"There is a question as to whether punitive damages have a real deterrent effect in many situations. There are many instances where the deterrence message is pretty unclear," points out Professor John J. Kircher of Marquette University Law School.

and I don't believe it reacts to the legal environment."

An attorney for a major car manufacturer adds that the standards set by the courts don't filter down to employees that are involved in the design and manufacture of a product.

"They (punitive damages) are not in the psyche of the everyday employee," the attorney says.

Besides, he says, "A verdict has nothing to do with (the issue in) a particular lawsuit," noting that punitive verdicts are often more the result of a "crazy judge," a runaway jury or a plaintiff's lawyer that did an unusually good job.

**Most companies are already** out to make the best product they can, the attorney adds.

Compensatory damage awards are the deterrent to the production of faulty products, not punitive damages, says Paul C. Nelson, general attorney to International Harvester Co. Chicago.

W.A. Forrest, general counsel for A.H. Robins Co. in Richmond, Va., agrees with this assessment.

Product liability law in general might cause a company to look at potential deficiencies in products, but "I don't think punitive damages make us any more inclined to do that," he says.

Other attorneys point also to changing consumer awareness, stricter government standards, widespread publicity of product defects and product recalls as forces that have contributed to safer products.

Furthermore, the legal system is harmed by punitive damages when inflammatory evidence creeps into trials prejudicing the entire case against the defendant before liability is even determined.

What can occur is a political or "ideological

battle," having little to do with the merits of the particular lawsuit, according to David G. Owen, a professor at the University of South Carolina Law School.

While punitive damages are appropriate in some cases, "ordinarily and typically, punitive damage claims degenerate the lawsuit at the defendant's and society's expense," Mr. Owen says.

Punitive damages can even penalize manufacturers when they do things well, Mr. Owen adds.

For example, a conscientious manufacturer concerned with product safety will use scientific and engineering studies to look for problems and consider all possible alternatives, he says.

But those that are most concerned will often be the ones to have lots of memos floating around that talk about risk and the possibility of dangers to plaintiffs.

And in the courtroom, such memos and documents may be taken out of context and be used as a "smoking gun" to illustrate how callous the company is, "when they really should argue in their favor," Mr. Owen explains.

**But other attorneys** contend that punitive damages serve a valid public purpose and result in safer products for consumers and a greater safety consciousness on the part of companies. They should not be tampered with, they stress.

They contend that punitive damages do have a definite deterrent effect as evidenced by recent changes in consumer warnings on packages.

"In my judgment, punitive damages do provide, albeit in a limited role, a valuable tool to correct conduct we all would regard as socially unacceptable," says James L. Fet-

terly, an attorney who has represented both plaintiffs and defendants and has won at least two punitive damages awards for \$1 million or more.

**In various fields**, there have been dramatic changes in marketing practices following punitive damage awards, he says. "There have been specific and very dramatic changes in how they (products) are represented," particularly with regard to disclosures and recommendations for use by the consumer.

Mr. Fetterly, a member of the Minneapolis law firm of Maslon, Edelman, Borman & Brand, acknowledges that generally manufacturers that make a single error in judgment involving one consumer should not have punitive damages assessed against them.

He says he has never found a manufacturer that intended to hurt somebody or the general public but that he has discovered gross neglect through the pressures to market products and profit from them that "overwhelm common sense."

"I remain convinced that the concept of punitive damages does have a place in our society, but it is fairly limited and the courts should look at closely," Mr. Fetterly says, adding that he has seen some movement toward this in recent years.

**Judges are overturning or reducing** awards or not letting the issue of punitive damages go to the jury as often, he contends.

Some say punitive damages should be slapped on companies because since compensatory damages are usually covered by insurance, so the manufacturer feels little of their sting.

"Punitive damages are in a different psychological category," says plaintiff's attorney Richard Baldwin of the St. Paul, Minn., firm of Webster & Baldwin, who has won a \$1 million punitive damage judgment.

He acknowledges that the law regarding punitive damages has not fully evolved and that there are vast differences in awards. Mr. Baldwin suggests the judiciary take a closer look at the trends and perhaps draw up guidelines.

## Companies suggest ways to limit damages

Companies want an antidote to the growing number of punitive damage claims and awards in product liability lawsuits.

Among the suggested remedies:

- Placing a cap on the amount of punitive damages companies would have to pay.

- More strictly defining the standard of conduct for which companies could be sued for punitive damages and also increasing the amount of proof necessary to show that a company violated the standard.

- Separating liability and damage issues at trial.

- In mass-tort litigation, having all punitive damages determined at a single proceeding rather than having a jury decide punitive damages on a case-by-case basis.

"There is no present vehicle for addressing punitive damage in mass-tort litigation, and it is badly needed," says W.A. Forrest, general counsel for A.H. Robins Co. "We need a forum or vehicle for disposing of the issue of punitive damages in one proceeding."

Mr. Forrest suggests that instead of giving the punitive damages to the plaintiff who already has been compensated an injury, it might be better to earmark punitive damages for a public purpose from which all of society could benefit.

- Letting judges determine the amount of punitive damages to be assessed rather than leaving that to juries.

Some of the above proposals already are included in separate uniform product liability bills before Congress.

Both legislation to be introduced in the House, by Rep. Norman Shumway, R-Calif., and a Senate bill backed by Sen. Bob Kasten, R-Wis., offer some relief for manufacturers, but differ on the key issue of capping punitive damages.

Both bills, for example, would have a jury determine whether punitive damages should be awarded but would have the judge determine the actual amount.

This, proponents say, would prevent runaway jury verdicts, such as in the Ford Motor Co. Pinto case when the plaintiff was awarded \$125 million in punitive damages from the jury. That award subsequently was reduced and then settled out of court (see story, page 1).

In addition, both bills strictly define the standard of "reckless disregard" for consumer safety by the manufacturer. The plaintiff would have to prove that the manufacturer acted in this reckless manner before punitive damages could be awarded.

Plaintiffs, for example, would be required to show that the defendant had a "flagrant indifference" for consumer safety and committed an extreme departure from accepted practices.

However, a major, controversial difference in the bills is that the Shumway legislation would place a cap on the amount of punitive damages a claimant may recover. The Kasten bill does not offer this protection.

A plaintiff's recovery would be limited to twice the amount of compensatory damages awarded but could not exceed \$1 million

under the Shumway bill. In addition, the total punitive damage liability of a manufacturer for a particular product would be limited to \$5 million or 5% of a company's net worth, whichever is less.

Some individual states already require plaintiffs to show an exceptional amount of proof of the defendant's reckless conduct before awarding punitive damages.

Most states permit a jury to award them based upon a "preponderance of the evidence," but Minnesota and Wisconsin, for example, require that evidence must be "clear and convincing."

Colorado requires evidence to be "beyond a reasonable doubt," the standard used in criminal proceedings.

**Some courts also** are using certain trial procedures that can deter punitive damage awards.

These include bifurcation of trials, a judicial mechanism by which two trials are held in a case, one on the defendant's liability and the other for damages that should be assessed if the defendant is found liable.

Bifurcation would allow juries to concentrate on the issue of liability alone and not have complicating factors on damages, the defendant's net worth and other potentially prejudicial evidence.

A variation of this procedure also has been used. Under trifurcation, the issues of liability, damages and causation are determined separately.

Many believe only a judge should determine the amount of punitive damages to be awarded because of

the complexity of most product liability cases in which punitive damages are sought, the difficulty in assessing a company's financial worth and the danger of runaway jury awards.

Another approach, adopted recently by a U.S. District Court in California in the Dalkon Shield lit-

igation, involved the certification of a class action for purposes of determining punitive damages.

Those injured would have drawn from the amount set aside for punitive damages.

The class-action approach, however, was subsequently overturned by a federal appellate court.

## insurance services guide

### ATWOOD & CO.

Consulting Actuaries  
Claim Reviews  
Reinsurance and Reserve Analysis  
for Captives and Self Insurers  
5000 Ambrase Ave.  
Los Angeles, CA 90027  
(213) 661-9260

Information About Software Systems  
for Claims, Benefits and Risk Analysis.

Call or Write

**RESOURCE INFORMATION  
MANAGEMENT SYSTEMS, INC.**  
7800 W. College Drive,  
Palos Heights, IL 60463  
Phone: 312/448-5911

### GYORY ASSOCIATES, INC.

PROFESSIONAL RISK MANAGERS  
Risk Financing  
Insurance-Risk Consulting  
Latent Disease Product Liability Management  
172 Franklin Avenue, Ridgewood,  
N.J. 07450 (201) 445-835C

JOE P. MOSS, President PHONE 615-329-2311  
TLX 786546

The Tennessee Company  
ADJUSTERS AND SURVEYORS  
TN. AND ATLANTA, GA.  
HOME OFFICE - 1720 WEST END BLDG.  
NASHVILLE, TN. 37203  
35 YEARS

### CASUALTY ACTUARIES, INC.

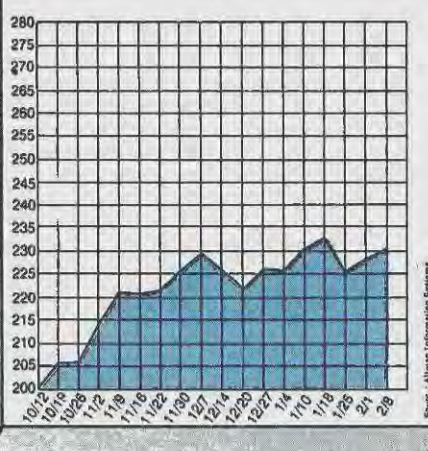
Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A.  
• Loss Reserve and Rate Evaluations for  
Insurance Companies and Self-Insureds.  
• Statutory letters of opinion on loss and  
loss expense reserves.  
12300 Olive Boulevard  
St. Louis, MO 63141  
(314) 878-5002

### FIREMAN & KRAMER

Defense Counsel  
All N.Y.C. Area Courts  
Contact: Anthony LaBella, Esq.  
305 Avenue U  
Brooklyn, New York 11223  
(212) 996-9600

For advertising information in the INSURANCE SERVICES GUIDE  
Contact: Emily Webb, 740 Rush Street, Chicago, Illinois 60611.  
Telephone (312) 649-5340.

BI Insurance Index

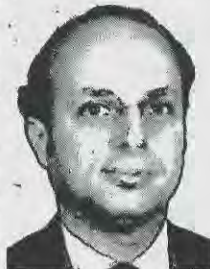


The Business Insurance stock index rose again this week to close at 230.5 on Feb. 8, up 2.1 points from 228.4 on Feb. 1. Twenty-eight stocks gained, 13 were unchanged and 24 declined. The leading gainers were Aneco Reinsurance Co. Ltd., 19.0%; Integrated Resources Inc., 12.9%; American Bankers Insurance Group, 9.1%; Fremont General Corp., 8.4%; and Provident Life & Accident Insurance Co., 6.8%. The largest losses were suffered by Great West Life Assurance Co., 7.5%; Marsh & McLennan Cos. Inc., 5.4%; General Re Corp., 4.9%; American International Group Inc., 4.6%; and Equifax Inc., 3.7%. The BI index posted a 0.9% gain, compared with a 1.5% rise in the Dow Jones 30 industrials.

# Dividend reduction by A&A influenced by many factors

By LEONARD M. WILSON  
Special to Business Insurance

REDUCING SHAREHOLDERS' dividends is a step that directors take with great reluctance. And yet, Alexander & Alexander Services Inc. went ahead and cut its dividend, which was probably a first for the publicly owned insurance broker.



Mr. Wilson

The action testifies to the altered state of the brokerage industry. A few years ago, no one would have disputed the description of an insurance broker as a cash cow with growth. Dividends could almost be taken for granted. Today, after four years of earnings stagnation or decline, not only do some observers doubt the industry's growth prospects, but even the sanctity of dividends has become suspect.

The culprit, of course, is the insurance cycle. No industry, with the possible exception of agriculture, has felt so protracted a period of price deflation at the same time that costs were inflating.

The rate cutting is hopefully nearing an end, though few signs point in that direction yet. However, even when the market turns, investors' perception of insurance brokerages may not be quickly repaired.

Alexander & Alexander is a special case, to be sure. The company's directors were no doubt mindful of the investment significance attributed to a long-standing record of dividend steadiness. Nonetheless, their deliberations led to a reduction. The company's public statement pointed to a recent diminished earnings performance and the problems at Alexander Howden Group P.L.C., its trou-

bled British subsidiary. Leonard M. Wilson, a vp of L.F. Rothschild, Unterberg, Towbin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.

bled British subsidiary.

It appears that Alexander & Alexander's decision was influenced heavily by financial considerations.

First, the dividend was not earned in 1982 and might be barely covered in 1983 if premium rates remained in a downward spiral. The linkage of dividends and earnings is a basic principle for publicly owned companies, as is the proposition that shareholders should share the pain of faltering results as well as the benefits of improving ones.

A second financial consideration may have pertained to cash flow. Insurance brokerage is a notably trim business when it comes to working capital and fixed asset requirements. Nonetheless, Alexander & Alexander's cash flow after payment of dividends was probably negative in 1982 and may be at best narrowly positive in 1983. Paring the dividend gives the company a margin of surplus even though the cash-flow picture was not threatening.

The balance sheet was most likely a third issue. Alexander & Alexander's stated net worth reflects a large amount of good will from the acquisitions of Alexander Howden. Tangible net worth or so-called "hard" book value was relatively modest at the end of the third quarter, having felt the impact of Howden's write-offs.

This top-heaviness has in no way engendered concern about Alexander & Alexander's solvency. And yet, the directors may have felt the need to increase retained earnings as much to provide funding for future opportunities as to stiffen the current financial position.

Financial aspects notwithstanding, some observers took the dividend reduction as a signal of a worsening earnings outlook or a portent of more to come at Howden. Neither concern seems valid. Most expectations of A&A's 1983 earnings already allow for continued soft premium rates. As for Howden's status, the feeling in many quarters seems to be that the worst of problems are out in the open already.

A sharp sell-off of A&A stock, however, can be taken as a sign of disenchantment among institutional investors, many of whom viewed the treatment of the dividend as a

"last straw." Moreover, the prior dividend had helped support the price of the shares in the face of disappointing earnings. That support was withdrawn with the new truncated dividend rate.

Value is in the eye of the beholder and for every seller, there must be a buyer. Apparently, the buyers were on a wavelength that senses opportunity in adversity. For one thing, the dividend cut put a major piece of bad news out of the way. For another, it is not unusual for a stock after a period of recuperation to rise subsequent to a dividend reduction.

We suspect that the buyers may also have scented another possibility. Frank B. Hall & Co. Inc. and Corroon & Black Corp. are selling at more generous price-to-earnings ratios than usual. Since the acquisitions of Fred S. James & Co. Inc. by Transamerica Corp. and Rollins Burdick Hunter by Combined International Corp., investors have wondered which of the remaining public insurance brokers might be next to be absorbed.

Alexander & Alexander's domestic insurance brokerage operations, close to those of Marsh & McLennan Cos. Inc. in size, are an attractive prize. Ipso facto, the company—in the view of some investors—has appeal as a takeover target and consequently could command much higher values than the market price.

But an unfriendly acquisition is unlikely, so that management would presumably have to give its assent to a deal. Alexander & Alexander's management, however, would doubtless like to remain independent. This preference raises questions as to the probability of a merger. In addition, a potential acquiring firm would have to be large enough to handle a mammoth transaction and also would have to be reassured that affairs at Howden were under control.

The differences of opinion over Alexander & Alexander's investment prospects could last for some time. A turn in premium rates might restore the firm's investment standing and shift attention from the dividend reduction and the impact of the Howden scandal. Until then, it is entirely possible that the stock's movement might be governed by expectations that have little relationship to earnings prospects.

## British Issues

8 Feb Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low	
					pence	pence
Comml Union	140	23.3	16.86	12.0	148	139
Eagle Star	373	14.9	21.43	5.7	373	365
Genl Accident	422	14.1	23.21	5.5	428	416
Gdn Royal Exch	430	12.3	25.00	5.8	440	424
Phoenix	322	16.9	24.00	7.5	336	322
Royal	505	12.3	36.07	7.2	522	498
Sun Alliance	1037	17.3	61.43	5.9	1050	1037

Brokers	Price	P/E	Div.	Yield	1 Week High—Low
CE Heath	348	9.9	18.71	5.4	348—337
Hogg Robinson	104	8.0	8.57	8.2	105—104
JH Minet	104	9.6	5.43	5.2	108—104
Sedg Grp	223	12.7	8.57	3.8	223—218
Stenhouse Hldg	112	10.5	7.86	6.5	116—112
Stew Wrightson	257	9.2	18.57	7.2	257—253
Willis Faber	540	13.5	21.43	4.0	540—532

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

# BI Industry Stock Report

FEB. 8, 1983 2/2/83 THRU 2/8/83

Insurance Cos.	Price	Chg	P/E	S Div	Yld	High	Low	Vol (000)	
Aetna Life & Cas Co	NYSE	33.88	1.1	5.5	2.52	7.4	34.25	33.25	1,841.5
American Bankers Ins Group	OTC	12.00	9.1	9.4	0.50	4.2	12.00	10.75	383.4
American Gen Ins Co	NYSE	65.13	5.0	9.0	2.20	3.4	67.00*	62.00	237.7
American Indty Finl Corp	OTC	20.75	2.5	20.5	1.12	5.4	20.75	20.13	7.8
American Intl Group Inc	OTC	66.75	-4.6	9.9	0.24	0.4	69.50	66.75	1,573.4
American Natl Ins Co	OTC	15.63	0.8	6.9	0.84	5.4	15.63	15.38	45.6
American Stz Life Ins Co	OTC	22.50	0.0	6.4	0.88	3.9	22.50	22.50	0.9
Aneco Reins Ltd	OTC	3.13	19.0	0.0	0.00	0.0	3.13	2.63	59.9
Avenco Corp	AMEX	15.25	1.7	8.8	0.58	3.8	15.38	14.75	27.8
Banks Iowa Inc	OTC	35.00	-2.5	9.5	1.48	3.8	40.00	39.00	0.5
Bitco Corp	OTC	30.50	0.0	5.4	1.92	6.3	30.50	30.50	3.0
Carolina Cas Ins Co	OTC	7.13	-1.7	10.5	0.32	4.5	7.25	7.13	8.7
Chubb Corp	OTC	47.88	-1.3	7.7	2.92	6.1	48.88	47.88	89.6
Combined Intl Corp	NYSE	30.13	4.8	9.1	2.00	6.6	30.13*	29.50	240.9
Continental Corp	NYSE	27.75	-0.9	8.8	2.60	9.4	28.25	27.38	373.1
Crawford & Co	OTC	20.25	2.5	15.1	0.57	2.8	20.25*	19.50	131.6
Crown Life Ins Co	OTC	88.38	0.0	5.8	3.10	3.5	88.38	88.38	0.0
Crum & Forster	NYSE	55.38	0.0	11.4	1.76	3.2	0.00	610.00*	TRADE
Employers Cas Co	OTC	35.00	-0.7	7.4	1.20	3.4	35.25	35.00	18.0
Equifax Inc	NYSE	26.38	-3.7	13.9	1.40	5.3	27.63	26.38	19.8
Excelsior Ins Co	OTC	9.50	0.0	0.0	0.70	7.4	9.50	9.50	0.5
Farmers Group Inc	OTC	34.63	-1.1	9.6	1.36	3.9	34.63	34.25	1,157.9
Foremost Corp Amer	OTC	40.25	0.0	12.8	1.24	3.1	40.50	40.25	27.5
Fremont Gen Corp	OTC	14.50	8.4	33.0	0.48	3.3	15.63*	14.00	1,152.3
Great West Life Assurn Co	OTC	185.00	-7.5	15.1	10.00	5.4	200.00	185.00	1.2
Manover Ins Co	OTC	35.00	0.7	5.2	0.88	2.5	35.00	34.75	37.9
Hartford Steam Boiler Insprtn	OTC	43.50	-1.7	9.6	2.80	6.4	44.00	43.50	15.8
Jefferson Natl Life Ins Co	OTC	45.00	3.4	12.6	0.76	1.7	45.00	43.50	2.4
Keener Corp	OTC	38.30	0.0	7.2	1.80	4.7	38.00	37.75	22.5
Lincoln Natl Corp Ind	NYSE	46.63	-0.8	8.4	3.00	6.4	47.00	46.38	69.6
Mission Ins Group Inc	NYSE	29.13	-1.3	7.3	0.30	2.7	29.75	29.13	113.2
Nationwide Corp Ohio	OTC	41.00	0.0	12.1	0.70	1.7	41.00	41.00	0.0
Northwestern Natl Life Ins	OTC	31.13	4.6	17.0	1.50	4.8	31.13	29.50	36.9
Ohio Cas Corp	OTC	42.63	-0.9	8.7	2.36	5.5	43.00	42.63	25.1
Old Rep Intl Corp	OTC	23.75	0.5	5.5	0.92	3.9	23.75	23.25	52.1
Orion Cap Corp	NYSE	18.75	2.0	10.9	0.66	3.5	18.88*	18.13	67.3
Preferred Risk Life Ins Co	OTC	23.38	-0.5	6.9	0.92	3.9	23.38	23.38	1.2
Provident Life & Acc Ins Co	OTC	51.00	6.8	7.1	2.44	4.8	52.00	48.50	40.1
St Paul Cos Inc	OTC	47.00	-0.9	5.9	2.80	4.9	57.88	57.00	529.7
Safeco Corp	OTC	56.75	0.5	8.2	2.40	5.1	46.75	46.63	105.4
Sri Corp	OTC	38.50	2.7	7.8	1.12	2.9	38.75*	37.50	60.1
Schubel Bruce Group Inc	OTC	26.38	1.4	0.0	0.80	3.0	27.00*	26.25	190.8
Statefarm Group Inc	OTC	8.25	-2.9	7.3	0.15	1.8	8.63*	8.25	21.6
Tokio Marine & Fire Ins Co	OTC	103.00	3.5	16.5	0.92	0.9	103.25	102.00	5.9
Travelers Corp	NYSE	23.00	-1.6	6.3	1.80	7.8	23.63	23.00	1,035.6

FEB. 8, 1983 2/2/83 THRU 2/8/83

	Price	Chg	P/E	S Div	Yld	High	Low	Vol (000)	
United Fire & Cas Co	OTC	29.25	0.0	7.8	0.88	3.0	29.25	29.25	0.4
United States Fid & Gty Co	NYSE	43.25	4.5	10.6	3.60	8.3	43.25	41.75	166.6
United Svcs Life Ins Co	OTC	18.75	0.0	6.6	1.00	5.3	19.00*	18.75	8.6
Ustife Corp	NYSE	22.63	0.6	5.0	0.88	3.9	22.63	22.38	238.1
Washington Natl Corp	NYSE	23.50	2.7	11.6	1.08	4.6	23.50	22.88	59.9
Zenith Natl Ins Corp	OTC	19.75	-2.5	9.9	0.80	4.1	20.25	19.75	72.4
INSURANCE COMPANIES	AVERAGE			9.1		4.2			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	21.63	3.0	9.7	1.94	9.0	22.13	21.00	562.9
Baldwin & Lyons Inc	OTC	41.00	2.5	6.8	0.80	2.0	41.00*	40.00	0.0
Corroon & Black Corp	NYSE	28.25	-0.4	13.9	1.80	6.4	28.50	27.75	27.1
Crupp E H Cos Inc	OTC	10.00	-1.2	16.9	0.40	4.0	10.13	10.00	11.6
Emett & Chandler Cos Inc	OTC	10.75	0.0	35.0	0.00	0.0	10.75	10.75	4.1
Hall Frank B & Co Inc	NYSE	31.75	-0.4	15.3	1.70	5.4	32.75	31.75	174.9
Integrated Res Inc	AMEX	36.13	12.9	10.9	0.00	0.0	37.13	32.13	125.9
James Fred S & Co Inc	NYSE	33.25	0.0	16.8	1.60	4.8	33.25	33.25	0.0
Marsh & McLennan Cos Inc	NYSE	37.25	-5.4	11.1	2.20	5.9	39.25	37.25	320.8
Penncorp Fincl Inc	OTC	13.50	0.0	8.4	0.16	1.2	0.00	0.00	NOT TRADE
Poe & Assoc Inc	OTC	10.00	0.0	9.8	0.80	8.0	10.00	10.00	0.2
Reed Stenhouse Cos Ltd	OTC	14.25	-0.9	13.6	0.60	4.2	14.75*	14.25	7.5
AGENTS/BROKERS	AVERAGE			11.2		4.2			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	64.13	0.0	10.6	2.40	3.7	65.88	64.00	1,035.8
Anderson (Clayton/Ranger/PanAm)	NYSE	26.13	-1.4	7.2	1.32	5.1	26.75	26.13	29.4
Araco Inc	NYSE	16.25	-1.5	0.0	0.80	4.9	16.50	16.25	576.4
City Investing Co. (Home Ins.)	NYSE	26.25	-7.5	7.2	1.70	6.5	28.50	26.25	358.2
CNA Finl Corp (CNA)	NYSE	17.25	0.7	6.7	0.00	0.0	17.38	17.13	29.7
Control Data (Comm. Credit)	NYSE	44.88	3.2	10.9	0.60	1.3	45.88*	42.75	738.2
General Re Corp	NYSE	53.75	-4.9	11.5	1.08	2.0	55.75	52.63	633.6
Gulf Utcl Corp	NYSE	28.13	1.4	9.9	1.32	4.7	28.13	27.75	365.8
Cigna Corp	NYSE	39.88	3.2	5.8	2.30	5.8	40.88	38.63	899.8
ITT (Hartford Group)	NYSE	32.88	4.0	7.4	2.76	8.4	32.88	31.63	2,368.4
Optium Hldg Corp	OTC	7.75	0.0	7.5	0.00	0.0	7.75	7.75	0.9
Sears Roebuck & Co. (Allstate)	NYSE	30.63	4.7	13.9	1.52	5.0	30.75	29.50	2,724.1
Baldwin Utcl Corp	NYSE	29.38	-0.4	5.7	0.88	3.0	31.50	29.38	342.5
Teledyne Inc (Argonaut)	NYSE	141.75	-1.8	11.2	0.00	0.0	143.88	140.50	536.3
Transamerica Corp	NYSE	23.75	6.7	8.3	1.50	6.3	24.00	23.00	238.6
(Occidental & Fred S. James)	NYSE								
CONGLOMERATES/HOLDING COS.	AVERAGE			9.5		3.1			

# "The Hartford's top-notch underwriters bring special skills to standard commercial lines."

**An interview with Tony Lubimir, Senior Vice President, Office of Underwriting, The Hartford.**

**Q. The Hartford is known for the quality of its underwriters. Why is that?**

**A.** Our whole approach to the market depends upon developing and keeping outstanding underwriters. That's why we give top priority to specialized training and career incentives that make underwriting both challenging and rewarding. For example, we created the position of Executive Underwriter for our most experienced professionals. They have broad underwriting and pricing authority coupled with production responsibility. The position may be unique in the industry.

**Q. How do insurance buyers benefit from the specialized training of Hartford underwriters?**



**A.** Their insurance needs are addressed by an underwriting professional with in-depth experience and expert knowledge of the particular type of coverage involved. That high level of underwriting expertise is just what brokers and agents tell us

they need to help their clients—especially in the current business environment, where *quality* of protection is as important as price.

**Q. How does that underwriting expertise help insurance buyers get high-quality, cost-effective protection?**

**A.** The more underwriters know about available programs, the better they can put together a plan that is truly responsive to a particular situation. This is especially true in complex areas such as Workers' Compensation, where a superficial approach may not produce a program that works in a buyer's best long-term interest.

**Q. What happens when insurance buyers need specialized underwriting help on both the Property and Casualty sides?**

**A.** They get it. The Hartford has a well-coordinated team approach that gives brokers and agents unlimited access to specialized underwriting and loss control assistance—in effect, our best corporate underwriting resources—when called for.

**Q. Do Hartford underwriters in the field have adequate authority to accept or reject risks without consulting the home office?**

**A.** Because of the superior training and experience of our underwriters, we're able to give them significant authority within which to operate. In fact, over 95% of underwriting decisions are made in our regional offices. Of course, our field underwriters are encouraged to utilize all corporate resources to develop the best approach to a given situation.



**Q. Is The Hartford consistent in its underwriting program?**

**A.** It is our policy to be. We don't cover a particular type of risk one year and drop it the next. This will become an even more important factor as the market starts to respond to adverse underwriting results.

**Q. How can insurance buyers take advantage of Hartford underwriting capability?**

**A.** By contacting a broker or independent agent who represents The Hartford.



**Don't make a decision on business insurance without a quote from The Hartford.**

**BUSINESS  
HOME  
AUTO  
LIFE**



**Let us protect your world. THE HARTFORD**

The Hartford Insurance Group, Hartford, Connecticut 06115.